

FINANCIAL TIMES

West Germany's social contract shows the strain, Page 14

EUROPE'S BUSINESS NEWSPAPER

No. 29,829

Wednesday January 15 1986

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Algeria	10.70	Denmark	10.25	France	10.00
Argentina	10.50	Germany	10.00	Italy	10.00
Australia	10.50	Japan	10.00	Spain	10.00
Canada	10.00	South Africa	10.00	Sweden	10.00
China	10.00	Switzerland	10.00	UK	10.00
Czech	10.00	USA	10.00		
Denmark	10.25				
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Italy	10.00				
Japan	10.00				
Spain	10.00				
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Switzerland	10.00				
UK	10.00				
USA	10.00				

World news Business summary

S. Yemen rival factions fighting

Fighting raged in Aden, capital of South Yemen, in a power struggle between President Ali Nasser Mohammed and hardline Marxist supporters. The President was reported to have been seriously wounded in Monday's coup attempt.

Unconfirmed reports said tanked dissident troops were advancing on the presidential palace.

The showdown is related to the direction of the foreign policy of the former British colony and in particular the President's rapprochement with conservative regimes of the region. Page 4

E F Hutton reshuffles senior executives

E. F. HUTTON, big Wall Street brokerage firm whose reputation has suffered from management mishaps in recent years, has announced a further top management reshuffle. Page 17

Beirut ceasefire

Troops enforced a ceasefire in east Beirut after 20 people were killed and 60 wounded in street fighting between rival Christian militias.

Egypt welcomes plan

Egypt gave a qualified welcome to a plan by Israel to settle a three-year-old border dispute in the Sinai by arbitration.

Terrorists warning

The head of the largest Dutch police unit has advised his members "to pack up and run" in case of a terrorist attack, claiming they are insufficiently trained and equipped to fight terrorism.

Candidate 'bugged'

Portuguese police are investigating the discovery of a bugging device in the telephone of Diogo Freitas do Amaral, the right-wing presidential candidate.

Turkey plea to EEC

Turkey is calling on the EEC to revitalise its relations with Ankara, which were scaled down after the 1980 coup. Page 2

Hersant victory

French right-wing press magnate Robert Hersant won the first round of his legal battle with the Government over the future of the Progrès de Lyon when the Paris commercial court left him in control of the management of the newspaper. Page 2

Pilgrims die

At least 17 Hindu pilgrims died on an island in the Ganges river when a fire broke out at a religious festival attended by an estimated 200,000 people. At least seven people drowned when a boat carrying 182 pilgrims capsized.

Doe opens borders

Librarian President Samuel Doe ordered the immediate reopening of the country's borders with Ivory Coast and Guinea.

Spanish bombs

A bomb exploded under a French lorry in the Spanish border town of Iruñ. Police detonated a second bomb found under another French lorry.

Libya aid claim

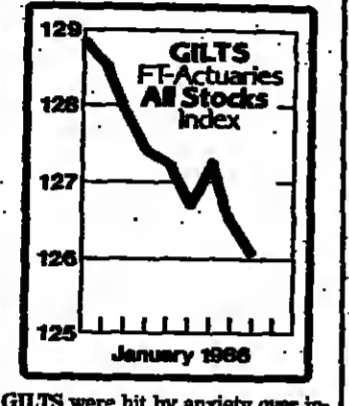
Israeli Foreign Ministry Director-General David Mimche claimed that North Korea helps Libya in training African and Palestinian insurgents. The Africans included people from Niger, Mali and Senegal.

Guatemalan amnesty

Guatemala's outgoing military rulers decreed, before handing over power to civilians, a general amnesty that covers killing and human rights abuses by the army. Page 3

Smuggling charge

Polish police in the Baltic port of Gdansk arrested a Pole who they said was trying to smuggle to Sweden 300,000 postage stamps, some of them rare.



GILTS were hit by anxiety over interest rates on the money markets and the FT-Actuaries All Stocks index fell from 128.52 to 126.08. A strong recovery set in shortly before the close and longer maturities cut losses to end 1/2 down. Page 24

WALL STREET: The Dow Jones industrial average closed down 1.49 at 1,519.04. Page 38

LONDON: Stocks suffered more heavy punishment as the FT Ordinary index fell 14.5 to 1,094.3 and the FT-SE 100 dropped 14.5 to 1,370.1. Gilts staged a strong rally from opening lows. Page 38

TOKYO: A pre-holiday mood took hold with most investors on the sidelines. The Nikkei average lost 48.42 to 12,928.60. Page 38

DOLLAR showed small mixed changes in London, rising to DM 2.480 (DM 2.463) and FF 1.5675 (FF 1.55) but falling to SF 2.089 (SF 2.094) and ZW 2.6 (ZW 2.6375). Bank of England figures, the dollar's exchange rate index fell to 126.3 from 126.8. Page 31

STERLING lost 25 points against the dollar in London to close at \$1.4405. It was also lower at DM 3.5325 (DM 3.5725), SF 3.01 (SF 3.04), FF 10.9 (FF 10.98) and ZW 2.75 (ZW 2.8). The pound's exchange rate index was unchanged at 78.1. Page 31

GOLD fell \$0.75 on the London bullion market to \$340.25 but gained \$1.90 in Zurich to \$341.50. In New York the February comex settlement was \$341.00. Page 30

INTERNATIONAL: Tin Council, which yesterday began emergency talks on the market crisis, is being sued by Arab Banking Corporation for the return of \$15m (\$21.6m) loans. Page 30

EEC is to retaliate against US curbs on steel imports by placing quotas on American sales of fertilisers, art paper and beef grease. Page 16

LIBYAN GOVERNMENT, through the Libyan Foreign Investment Company (Lafico), has taken a majority stake in Tamoul, an Italian oil company previously controlled by Mr Roger Tamraz. Lebanese businessman said to have enjoyed Saudi Arabian backing. Page 17

SPAIN'S electronics industry is to be boosted by investment totalling Ptas 190m (\$120m) planned between multinationals. Page 9

APPLE COMPUTER of California reported record earnings of \$66.9m for the first quarter of fiscal 1985, despite a fall in sales. Page 17

RHONE-POULENC: Chairman of the French state-owned chemicals group backed privatisation of the company. Page 17

AXA, leading French private insurer, has disclosed terms of a counter-bid for control of Providence-Securus, French insurance group.

VOLVO, Swedish car, energy and food group, suffered a setback in its SEK 3,277m (\$430m) bid for Carbo, investment group, after Carbo's board recommended rejection of the offer. Page 17

Thatcher prepares counter-attack in Westland row

By Peter Riddell, Bridget Bloom and Lionel Barber in London

MRS Margaret Thatcher, the UK Prime Minister, was last night preparing to counter-attack over the Westland affair after several days of allegations and conflicting statements that have seriously damaged the Government.

The Prime Minister is this afternoon due to reply to Mr Neil Kinnock, the opposition Labour Party leader, during a full-day House of Commons debate on the subject.

The central issues are bound to be raised of Mrs Thatcher's style of government and whether the Cabinet has been evenhanded over the rival rescue plans for the troubled Westland company, Britain's only helicopter manufacturer.

The Labour Party is calling for the establishment of a Commons select committee to consider the affair, and in particular for the full availability of all relevant documents and letters.

Mr Michael Heseltine, who resigned as Defence Secretary last Thursday, is expected to speak.

The Prime Minister's senior advisers believe she must try to seize the initiative today by replying to the charges raised by Mr Heseltine, in the face not only of opposition attacks but also considerable doubts among her own backbenchers about her handling of the affair.

In other developments yesterday, an unnamed buyer raised his stake in Westland to just under 15 per cent. That gives the buyer a potentially decisive influence on Friday's extraordinary general meeting (EGM) of Westland shareholders to vote on the company's favoured rescue plan by Sikorsky of the US and Fiat of Italy.

The buyer is believed to be in favour of the Sikorsky/Fiat rescue and against the rival European consortium plan. The consortium comprises British Aerospace and GEC of the UK, Agusta of Italy and Aerospatiale of France. It also became known yesterday that proposals that appear to be designed to undermine the credibility of the European consortium's plan for Westland have received the approval of the UK Cabinet Office and the Ministry of Defence.

Mr Norman Lamont, the minister in charge of defence procurement, stated on Monday evening that the Ministry of Defence's offer to order six additional Sea King helicopters from Westland would apply "whichever reconstruction proposals Westland shareholders adopted."

The Sea King order had formed a key part of the measures put forward with the backing of Mr Heseltine, who said the order would be

possible because of savings that would be made as a result of the production of a joint European battlefield helicopter.

The former Defence Secretary made clear that the order would not be placed if Westland chose the Sikorsky/Fiat deal. That was partly because the MoD then considered it unlikely that European governments would want to combine with collaboration on the battlefield aircraft if the US-Italian plan went ahead, but also because Mr Heseltine wanted the Sea King order as a "sweetener" for the European proposals.

That has now been removed by the decision to make the Sea King order applicable to both rescue plans, even though Mr Lamont's answer makes clear that order of the Sea Kings would still depend on the production of a joint battlefield helicopter.

It was being suggested in Whitehall last night that the removal of the "sweetener" was insisted upon by the Trade and Industry Department, backed by the Cabinet Office.

Continued on Page 16

Tories in disarray; what the workforce thinks, Page 9; Editorial comment, Page 14

UK and Saudis agree to discuss oil prices

By Roger Matthews in Riyadh and Max Wilkinson in London

BRITAIN AND Saudi Arabia agreed yesterday to hold talks about oil issues and the threat of a decline in prices as spot prices continued to fall in weak and nervous markets.

The agreement was reached in Riyadh, the Saudi Arabian capital, yesterday during discussions between Sir Geoffrey Howe, the UK Foreign Secretary and Prince Saud al-Faisal, his Saudi counterpart.

It is expected the talks will be between Mr Peter Walker, the British Energy Secretary, and Sheikh Ahmed Zaki Yamani, the Saudi Oil Minister. No date has been fixed, however.

The British Government has in the past declined all offers of formal talks with the Organisation of Petroleum Exporting Countries (Opec), and officials in Riyadh emphasised yesterday that the talks with Saudi Arabia would be strictly bilateral.

The proposal for a meeting comes at a time of strengthening evidence that Saudi Arabia is determined to maintain its share of the world market even though this could mean a significant cut in prices.

Oil company executives in London estimate that Saudi Arabia is now producing almost five barrels a day of oil, almost twice as much as in the third quarter of 1985. It is also said to be making efforts to increase the number of "backstop" deals, involving a method of discounting which pegs the price of crude to the prices of petroleum products.

Most analysts agree that if Saudi Arabia and other Opec countries continue to produce oil at present rates, prices must fall as winter weather starts to reduce demand. Yesterday the mild conditions in Western Europe helped to push spot prices down still further: Brent crude was quoted at \$23.30 a barrel, 45 cents less than on Monday, with a number of cargoes left unsold. In the futures market Brent crude for delivery in April was traded at \$21.40.

Domestic Lawson writes: An Opec official described news of the UK-Saudi talks as "an historic moment." He believed that it would have a firming effect on oil prices in the short term.

Another senior member of Opec said that unless the UK changed its non-interventionist approach to the oil market there would be little future in the proposed talks.

Spot prices, Page 30

London acts to peg cost of borrowing

By Philip Stephens and George Graham in London

THE BRITISH Government yesterday took decisive action to head off a further rise in borrowing costs, as the political row over Westland heightened the recent unease in London's financial markets caused by falling oil prices.

In what senior bankers described as an unprecedentedly strong signal that base rates should remain at 12 1/2 per cent, the Bank of England announced it was injecting nearly £2bn (\$2.56bn) into the money markets to reverse the rising trend of wholesale rates. It also intervened in the foreign exchange markets to steady the pound.

The Bank indicated that it was committed to the present level of borrowing costs, at least until the weekend when finance ministers from the Group of Five leading industrial nations will review developments in the currency markets.

The move came as continuing fears over lower oil prices and concern over the damaging impact on confidence of the Westland row threatened to trigger another 1 percentage point rise in bank rates.

After the Bank's announcement, rates in the interbank market fell back to around 13 per cent from earlier highs of over 13 1/2 per cent. Senior clearing bank officials said that, barring a major fall in the pound's value, they now saw little prospect of a rise in base rates over the next few days.

There remained some unease among London economists, however, over the longer-term outlook for the pound and interest rates if oil prices continued to fall.

The Treasury said that the Government had acted because it viewed the upward shift in market interest rates as a result of "temporary" factors — a thinly veiled reference to the Westland saga.

The Government's firm stand is also likely to have been coloured by the certainty that another rise in base rates would have prompted the building societies to have pushed up their mortgage charges for home buyers.

The Building Societies Association had prepared a statement to be issued in case of a rise which would have warned that the present mortgage rate had become untenable.

Instead, Mr Richard Weir, the secretary general, was able to say that confidence of the Westland row societies had enough "ast" to rule out an immediate rise.

The Bank's operations in the money markets were unique in two respects. First, it set the rate at which it would buy £1bn of comb Continued on Page 16

Lex, Page 16; Money markets, Page 31

EEC reform may go to referendum in Denmark

By Hilary Hoynes in Copenhagen and Quentin Peel in Strasbourg

DENMARK is to consider holding a referendum over the reforms agreed by European Community heads of government in Luxembourg if the changes are not approved by the country's Parliament next week.

Mr Poul Schlüter, the Danish Prime Minister, said that a referendum could be avoided if the Social Democratic Party reconsidered its unanimous decision yesterday to reject the reforms.

If the party does not change its mind before next Tuesday's debate, Denmark will not be able to sign the reform agreement at the meeting of Community foreign ministers planned for January 27.

If Denmark rejects the reforms, the measures cannot be incorporated in the Treaty of Rome as part of the Community's legal constitution.

That has to be a unanimous decision of all member states.

A rejection is therefore likely to precipitate a real political crisis, with a substantial majority of other member states wanting to go faster along the path of strengthening EEC institutions and reducing the power of national governments.

The question must then arise whether Denmark would be forced to quit the Community, or whether some compromise can be found to accomplish much of the reform plans without full-scale amendment to the Treaty.

Mr Schlüter said that if it became necessary to hold a referendum he would endorse the proposed reforms.

If Denmark rejected further participation in the process of Euro-

pean integration it would have disastrous consequences for the country and its economy, he said. Denmark would be seriously isolated and could not count on a sympathetic hearing for its agricultural and fisheries interests, "which could cost us billions," he said.

Mr Henning Christophersen, the Danish Vice President of the European Commission, warned that rejection of the reforms would precipitate a crisis both in the Community and within Denmark.

"There will be a crisis for Denmark on foreign policy if we are beginning to leave the EEC by saying no to the package," he said. "There would also be an internal economic crisis." He hoped the Social Democrat position was not the party's last word on the subject.

Continued on Page 16

Boeing plans propan engines for bigger jumbos in 1990s

By Chris Sherwell in Singapore

BOEING of the US, the world's leading aircraft manufacturer, yesterday announced a radical proposal for a new generation of 500-seat jumbo aircraft, the 747-500, which would use revolutionary propeller-driven engines.

The new aircraft, which is scheduled to be unveiled at a technical symposium in Singapore, is seen as an endorsement of the so-called "propan" engine technology now being developed and a response to global demand forecasts which project increasing air traffic densities.

"Our studies indicate that the timing for the technology involved and the market timing for increased capacity both appear to coincide in the mid-to-late-1990s," Mr Joe Sutter, executive vice president of Boeing, told the conference. "Big is better for the mid-1990s and beyond," he said.

The engine technology is already being developed for a 150-seat aircraft from Boeing which will pose a direct challenge to two other leading aircraft manufacturers, Airbus

Industrie of Europe and McDonnell Douglas of the US.

This aircraft, called the 777, is scheduled for delivery in early 1992 and is the result of a decision not to develop a conventional turbofan design for delivery after 1990. According to Mr Sutter, the aircraft's range is set for 12,000 miles and in direct operating costs compared with a current equivalent, the 747-300, will be 66 per cent and 47 per cent respectively because of the new engines.

Mr Sutter, giving details of the proposed 747-500, for which he said preliminary studies were under way, stated that it would have a longer stretched fuselage to provide more than 500 seats in a three-class configuration — 26 per cent increase on the 747-400, which is due to be rolled out in 1988.

Its range would be 7,500 nautical miles — longer than the 747-400 — and more if the market demanded it. It would also have a higher cruise speed to reduce flight times on long-haul routes. The technical cornerstone of the aircraft would be the "ultra by-pass ratio engine" being developed for the 777.

Manufacturers explained yesterday that this unducted fan (UDF) system employed counter-rotating highly swept propeller blades. By being more table, the engines could be "soft-mounted" on to a lighter fuselage and so improve overall efficiency.

Mr Sutter said the fans would be shrouded by a large cowling. By-pass ratios of 15 to 20 would be achieved compared with a maximum of six on today's turbofans. The fan diameter would be 10-12 ft, compared with the current six ft.

A representative of Airbus Industrie, commenting on the development of the unducted fan technology, said the company did not believe the engines would be available on a commercially acceptable basis at required thrust levels in time to meet market demand for new technology aircraft.

FT conference report, Page 4

Eastern losses top \$67m in quarter

By Terry Dodsworth in New York

THE SUDDEN deterioration in the performance of Eastern Airlines, the Miami-based US carrier that is facing a new conflict with its trade unions, was underscored yesterday in results showing a loss of \$67.4m in the final quarter of the year.

The loss, the equivalent of \$1.22 a share, compared with a net profit of \$10.8m, or 9 cents a share, in the same period of 1984. It followed a period of profits beginning in the latter half of 1984 after the group signed concessionary wage contracts with its workforce.

For the full year, the labour givebacks helped to keep the airline slightly in the black, with earnings of \$6.31m, against a loss of \$37.9m, although shareholders will show a loss on their per-share earnings of 26 cents because of deductions for preferred dividends. Profits for the quarter amounted to \$1.13m against \$1.12m, and for the year to \$4.6m from \$4.4m.

The company's future was severely threatened in the early 1980s by a long run of deficits. Union leaders recently urged workers to add to their shares in the group, where 20 per cent of the equity is already owned by the workforce, so that they could achieve more control over management decisions. The company is trying to push through further salary reductions to meet the demands of lenders.

In the meantime, Eastern has again deferred dividend payment on its preferred stock. Payments were resumed in June, August and November, but arrears will still amount to \$38.5m by mid-February.

Mr Frank Borman, Eastern's chairman and chief executive, who has often been at loggerheads with the unions, said yesterday that the fourth-quarter loss reflected sharply declining passenger yields as the result of industry-wide fare discounting.

Most analysts agree that if Saudi Arabia and other Opec countries continue to produce oil at present rates, prices must fall as winter weather starts to reduce demand. Yesterday the mild conditions in Western Europe helped to push spot prices down still further: Brent crude was quoted at \$23.30 a barrel, 45 cents less than on Monday, with a number of cargoes left unsold. In the futures market Brent crude for delivery in April was traded at \$21.40.

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Spot prices, Page 30

Continued on Page 16

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CONTENTS

Europe	2	Currencies	21
Companies	17, 18	Editorial comment	14
America	3	Eurobonds	19
Companies	17, 18	Financial Futures	24
Overseas	4	Gold	31
Companies	20	Int'l. Capital Markets	18
World Trade	5	Leas.	19
Britain	9, 10	Manufacturing	3
Companies	21, 22	Markets Movers	35, 38
Agriculture	29	News and Markets	14
Appointments	27	Money Markets	31
Arts - Reviews	8	Raw materials	39
World Guide	6	Stock markets - Securities	35, 38
Commercial Law	27	World Street	32-38
Commodities	29	London	32-38, 38
Crossword	27	Technology	7
		Unit Trusts	27-29
		Weather	16

Turkey: opposition to Ozal begins to stir	2	West Germany: why social contract is under strain	14
Mexico: when business and politics fail to mix	3	UK gilts: getting ready for the Big Bang	15
Japan: Moscow aims to end freeze in relations	4	Lex: markets; Freegold; Guinness; Nomura Secs	16
Technology: signal for a faster circuit	8	Netherlands: Rabobank's international link	18
Editorial comment: Westland; UK wages and jobs	14	Connecticut: Survey	23-26

EUROPEAN NEWS

EEC industry more hopeful about boosting employment

BY PAUL CHEESEBRIGHT IN BRUSSELS

INDUSTRIALISTS IN the European Community are showing themselves increasingly ready to provide more jobs...

MEP accused of being IBM's messenger boy

BY QUENTIN PEEL IN STRASBOURG

THE WIDESPREAD practice of industrial companies lobbying in the European Parliament blew up into a full-scale row yesterday...

Court backs French newspaper chief

BY DAVID HOUSEGO IN PARIS

THE RIGHT-WING French press magnate Mr Robert Hersant yesterday won the first round of his legal battle with the Government over the future of the Progress de Lyon newspaper...

The practical effect of yesterday's ruling is to impose a freeze for three months on any long term restructuring which Mr Hersant might want to carry out...

Helicopter parts take off for the East

By Leslie Collett in Berlin and David Suchan in London

A GERMAN prosecutor in West Berlin said officials are investigating one of the most bizarre cases to date of illegal transfers of high technology to North Korea...

Lisnave agrees truce with unions

By Diana Smith in Lisbon

LISNAVE, PORTUGAL'S heavily-indebted ship repair yard has gained union agreement to avoid industrial action for a year in return for which it will pay employees at least Es 25,000 (£109) a month...

David Barchard reports on the Turkish PM's future Opposition efforts fail to loosen Ozal's grip on political power

TWO YEARS after taking office, Mr Turgut Ozal and his Motherland Party dominated Turkey's political scene almost effortlessly...

leaders who together allowed the country to slide to the brink of chaos in 1980, are back in politics. None of them is back officially but all four men have regained the ability to talk to the newspapers and are informally sponsoring them...



Turgut Ozal... leading a strong and united party

general elections, neither Mr Ozal nor the social democrats will have a majority. Mr Cindoruk's True Path Party may hold the balance of power and could go into a coalition with Mr Ozal...

Advertisement for Berlitz language courses. 'I studied French for years but I still can't speak it.' For those who really want to speak a language. Berlitz now offers special 3 week full time crash courses...

Jobs at risk in Denmark's shipyards

By Our Copenhagen Correspondent

DANISH SHIPYARDS will be hit by a wave of dismissals over the next few months. The Odense shipyard, owned by the A. P. Moeller shipping, oil and industrial concern...

The social democrats have emerged as Mr Ozal's chief opponents but with a split opposition they stand little chance of winning an outright majority

Mr Demirel and Mr Ecevit are addressing their followers in the daily newspapers, staging public visits to towns and engaging in other political lobbying...

Ankara seeks to revive association accord

By Our Ankara Correspondent

TURKEY HAS written to the governments of European Community member states calling for an early meeting of the Turkey-EEC association council...

Anti-tank missiles

A West German company producing anti-tank missiles which could be fitted to the helicopters told SFB that a few months ago it was visited by a North Korean diplomat who expressed interest in purchasing them...

Irish line wins over workforce

By Our Dublin Correspondent

B&I, the loss-making Irish state shipping line, has reached a last-minute agreement with its workforce on a radical restructuring plan which the company assures its future, writes Hugh Carney in Dublin...

Mubarak counsels Craxi on peace initiative

By James Buxton in Rome

THE Italian Prime Minister, Mr Bettino Craxi, yesterday made a three-hour visit to Egypt, where he had talks with Mr Hosni Mubarak, the Egyptian President...

Norwegian bank seeks credit ruling exemption

By Fleming Dahl in Oslo

OSLOBANKEN, the small, 18-month-old Norwegian commercial bank which has operated with considerable success, has asked Mr Sten Presthus, Minister of Finance, if it can be exempted from the credit regulations imposed on Norway's commercial and savings banks last week...

Go-ahead for joint ventures

By Our Warsaw Correspondent

THE POLISH Government has presented a new joint-venture law aimed at encouraging Western capital investment in the country for approval to Parliament...

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Polish industrial output slows down to 3.8%

By Christopher Bobinski in Warsaw

PRELIMINARY figures for 1985 published by Poland's statistical office show a slowing rate of industrial output against a background of strong pressure from industry for capital investment and from the population for income growth...

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AMERICAN NEWS

G5 'not likely' to act on US dollar

By Stewart Fleming in Washington

THE FINANCE ministers of the five major industrial countries (G5) are unlikely to take any new initiatives to drive down the value of the US dollar at their meeting in London this weekend according to Dr Onno Ruding, the Dutch Finance Minister and chairman of the policy making interim committee of the International Monetary Fund (IMF).

Characterising the G5 agreement to drive down the dollar's value reached in New York in September of last year as "to a large extent success", Dr Ruding said "There is a growing feeling among Europeans that the larger part of the drop (in the dollar) has taken place. To the best of his knowledge no concerted action in that direction is to be expected, he said."

Dr Ruding, who is holding a series of meetings in Washington with top officials including Mr James Baker, US Treasury Secretary, and Mr Paul Volcker, federal reserve board chairman, said the decline in the dollar is already quite sharp. European governments are worried that if there were to be a substantial further drop in the dollar "it might create the impression of a hard landing and could lead to panic reactions which could drive up US interest rates," he said.

Such reactions would not be in the interests of the US and the industrial countries or the developing world, he said, adding "for the US the major objective should be a reduction of US interest rates," which he linked to progress on the Federal budget deficit.

He conceded however that the fall in the dollar so far might not have a major impact on the huge US trade deficit in 1986, but that he was not too concerned at present about the danger of a protectionist upsurge in the US as a result.

"I sense that much of the steam has gone out of protectionist pressure," he said. Officials close to the G5 meeting are making it clear that they are hoping that weekend's session should not be a repeat of the public relations spectacle staged in New York in September when the US made dollar devaluation a top economic priority.

At the meeting the US is expected once again to urge West Germany and other nations to try to accelerate their rate of economic growth, something which West Germany is reluctant to do. The US is also seeking to establish the G5 as the major forum for economic policy making discussions among the industrial countries, something Dr Ruding indicated yesterday is not being well received by the other six countries who make up the so called G10 industrial nations. Dr Ruding is proposing that G10 should meet for half a day before the April meetings of the interim and development committee meetings in Washington.

David Gardner looks at the background to the managing director of Vitro's resignation

Politics and business fail to mix in Mexico

THE RESIGNATION of the chief executive of one of Mexico's biggest private companies—because of his involvement in opposition politics—has cast a spotlight on the often tense and always complex relationship between the Government and private sector.

Mr Rogelio Sade Zambrano, a scion of what throughout this century has been the core group of Mexican capitalism, in November quietly relinquished his 10-year tenure as managing director of Vitro, the virtual monopoly glass manufacturer and arguably Mexico's most successful company.

Vitro, along with Alfa, Visa and Cyasa, makes up the Monterrey group of companies, the largest business concentration in Mexico, owned by different branches of the Garza and Sada families, and so called because the headquarters are in the north eastern city of Monterrey, the powerhouse of the Mexican private sector.

Last month, Mr Sade, disabusing those who thought this was another in a long series of Monterrey Group family rows of the kind which exerts a sort of Dallas-like fascination on Mexicans, directly accused President Miguel de la Madrid's Government of pressuring the Vitro board into seeking his resignation.

He said the reason for this

was his increasingly public involvement with the right-wing National Action Party (PAN), Mexico's main opposition group.

In an interview with Process, the combative left-wing nationalist weekly, Mr Sade said: "The highest political sectors of the Cabinet" (assumed to mean the Interior Ministry and possibly the President) had tried to "gag" him, and that he had received more discreet threats from "certain ministers in the economic area."

In this, his only public statement on the affair, Mr Sade said he was in effect told to "choose between your status, your power and your money, or your freedom of expression and fundamental liberty."

Senior Vitro board members acknowledge that Mr Sade's political involvement was the principal, if not the only, reason for his abrupt departure.

"There were also substantial philosophical differences between the board and Rogelio on the management of the company," Mr Adolfo Larralde, Vitro board chairman, said. "But these could have been resolved without his leaving."

Mr Sade seems to have incurred the wrath of the Government when he appeared at an end-of-campaign rally to support the PAN candidate for mayor of Monterrey. This election, in November, is



Rogelio Sade Zambrano (left) accused the Government of Miguel de la Madrid of pressuring the Vitro board into seeking his resignation.

alleged by the PAN to have been rigged in favour of the ruling Institutional Revolutionary Party (PRI).

Certainly, the PRI resorted to ballot fraud last July to secure the more important post of governor of Nuevo Leon, the state of which Monterrey is the capital.

The PAN's candidates for both posts were prominent local industrialists and though most Monterrey businessmen stayed on the sidelines, many were shocked and angry at the brazenness of the Government's vote-stealing.

The experience threw into

relief the sort of tension Mexico's de facto one party system is supposed to hold at bay. Rioting followed the July announcement of an unbelievable PRI landslide, and in response local pro-government trade union leaders threatened to close Monterrey's factories.

A remark by Senator Raul Caballero, the senior trade union leader in the state, went to the heart of the problem. "There can be no question," he said, "of us banding over political power to those who already hold economic power."

The PRI regards the private sector, and the Church, as competitors for the power it

has held uninterrupted since the 1910 revolution. Participation by either sector in partisan politics is actively discouraged in the case of business and constitutionally proscribed in the case of the predominantly conservative Church.

In effect business has been politically expropriated and in return has received privileges which, it is implicitly understood, depend on its at least tacit support for the regime.

Business has a voice through chambers of commerce and industry, membership of which is obligatory and which serve as the official conduit for contact with the Government.

The system has worked and been lucrative for both sides, not least because PRI rule has provided stability unparalleled in Latin America and average economic growth of 6.6 per cent a year between 1940 and 1981.

Frequent differences were relatively easily resolved so long as the private sector's politics remained "institutional" and unobtrusive. The problem is that increasingly they are not now that sectors of business have swung behind a PAN riding high on protest votes and showing ability to outpoll the PRI, particularly in the northern border states.

However private sector dependence on the Government is great. The Monterrey Group, for

Retail sales increase by 1.9%

By Nancy Dunne in Washington

FREE-SPENDING US consumers, lured by new cut-rate financing offers for cars, produced a sharp rise in retail sales last month.

Purchases rose 1.9 per cent, the biggest improvement in sales since the 2.1 per cent increase in September, when cheaper car credit also spurred a rise in retail sales. The 5.7 per cent jump in car purchases last month accounted for more than half of the total retail sales increase.

Department store executives complained that their own Christmas business was hurt because so many consumers bought new cars. Buying at general merchandise stores rose only 0.3 per cent in December, after seasonal adjustment. The sales of durable goods rose 4.3 per cent after rising 0.7 per cent in the previous month. Sales of non-durables rose 0.6 per cent in December, the same as in November.

For the entire year, retail sales rose 6.3 per cent after mushrooming by 10.5 per cent in 1984. Last week the Government reported a drop in unemployment and moderate wholesale inflation, suggesting the prospect for better growth this year. Mr Malcolm Baldrige, the Commerce Secretary, yesterday predicted a "healthy quarterly gain" in retail sales during the first quarter of 1986.

Military rulers in Guatemala decree amnesty

GUATEMALA'S OUTGOING military rulers, acting shortly before handing over power to civilians, have decreed a general amnesty that covers killers and human rights abuses by the army. Reuter reports from Guatemala City.

The decree was announced less than 24 hours before Mr Vinicio Cerezo, moderate Christian Democrat, was to be sworn in as Guatemala's first freely-elected president after more than 30 years of almost unbroken military rule.

Signed by General Oscar Humberto Mejia Victores, the outgoing Chief of State, the decree declared a "general amnesty for all persons responsible for... or connected with political and common crimes committed between March 23, 1982 and January 14, 1986."

On March 23, 1982, General Efraim Rios Montt, General Mejia Victores' predecessor, seized power in a military coup and unleashed a ruthless counter-insurgency campaign in which thousands of civilians were reported to have been killed.

Legal experts in Guatemala City said although the decree could apply both to the army and its left-wing guerrilla foes, it was clearly intended to cover army personnel involved in human rights abuses between 1982 and the return to civilian rule.

Peru under fresh pressure to meet delayed payments

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

PERU WILL face fresh pressure to meet delayed interest payments to creditor banks when Mr Richard Webb, the Prime Minister's Debt Adviser, meets main lenders in New York today.

But there is little immediate hope that the Government of President Alan Garcia will bow to bank demands to reduce arrears that now total some \$400m (£275m).

The meeting is the first between the two sides since last autumn and comes against the backdrop of an end-January deadline when current arrangements for the extension of short-term credits expire.

Bankers say they expect Mr Webb to ask for better terms on short term debt as well as an increase in trade lines to Peru which have fallen by about two-thirds to little more

than \$250m since the country started rescheduling in 1983.

Peru has been meeting service payments on its short-term debt despite an overall limit on debt service of 10 per cent of exports or \$300m in the year to end-July. In return, it wants lenders to scrap their practice of charging interest at a margin over the expensive prime rate.

Bankers say that with reserves of \$1bn Peru could afford to make more interest payments. Debt service payments to all creditors since last August have totalled only \$150m which still leaves room for more.

Though this theoretically creates room for a compromise, they said they were not very optimistic at this stage and regard the meeting as mainly an exercise in keeping communications open.

Kennedy visit to Chile stirs political passions

BY JIMMY BURNS IN SANTIAGO

CHILEAN political passions have been stirred from their traditional summer slumber by the visit of Senator Edward Kennedy, who is due here today on the latest stage of his fact-finding Latin American tour.

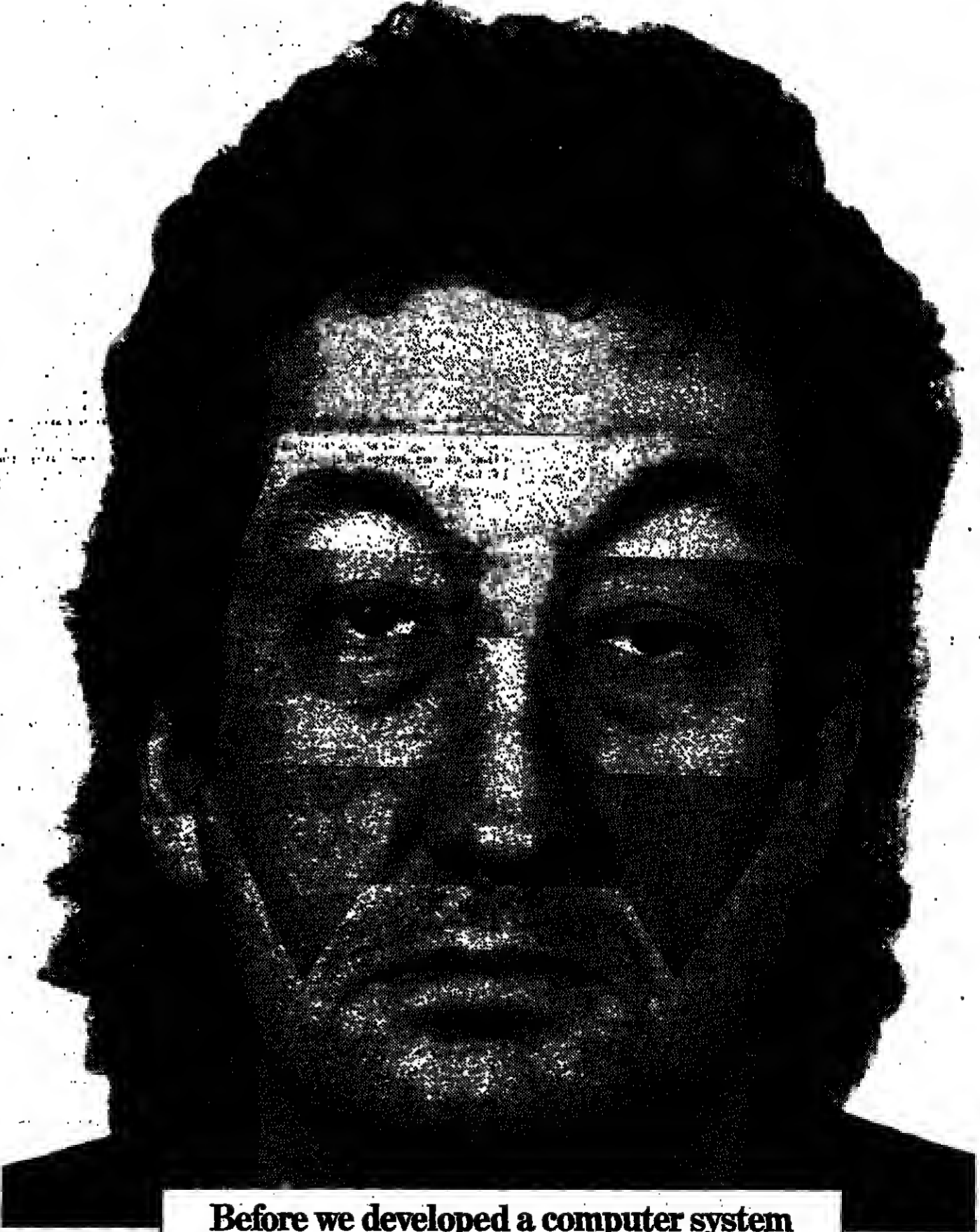
Advertisements in local newspapers have declared the visit against the national interest," one claim the Chilean meeting with the US senator as a traitor. Supporters of the regime of President Augusto Pinochet have already staged anti-Kennedy demonstrations in different parts of the city.

Similar protests with the tacit blessing of the authorities, are expected today when Senator Kennedy meets with opposition leaders, church officials, human rights group and trade unionists. The Chilean Government in the latest example of its "carrot and stick" policy, has

granted Senator Kennedy a "courtesy" entry visa but has refused to meet him, in protest at the US congressional-backed Kennedy visit against the country. The visit is opposed as a result of Chile's poor human rights record on the recommendation of Mr Kennedy and the late Senator Hubert Humphries.

Local opposition groups have berated Senator Kennedy's visit as an important symbolic gesture of support for their struggle against the regime. They are expected to use his visit to expose the growing tensions between the Pinochet regime and the US.

Mr Harry Barnes, the new US ambassador in Santiago, was recently publicly rebuked by President Pinochet, for his alleged support for an early transition to democratic rule, in Chile.



Before we developed a computer system for the police, we looked at their customers.

When Surrey Police were looking for a computer they made (not surprisingly) a thorough investigation. They interviewed a number of different computer companies but they chose Burroughs' B20 Series.

Before we installed their computer system, we looked at the way people in their office actually worked. We asked who they needed to talk to inside the office and whether they needed access to a mainframe computer. (Since Burroughs also supplied the Police National Computer, this particular task was made easier but, in fact, the B20 Series can link into most mainframes).

In this case, of course, the office belonged to the CID, so at the same time as building an identikit picture of the way they worked, we looked at how their customers worked.

Already the B20 Series has been taken to the scene of the crime and housed in a

local Incident Room on four major investigations. One such case was the search for the M4 rapist, which involved clusters of B20's in two constabularies linked to the Police National Computer.

The flexibility of the B20 cluster allowed one workstation to work on the M4 enquiry, while another was helping police with their enquiries into a major robbery. In fact, they could cluster up to 64 workstations.

As well as the B20, Surrey Police have also installed an Ofisfile, a filing system that's again designed for the way people work. As Deputy Chief Constable John Evans of Surrey Police says: "We can actually ask it something like 'man with grey eyes' and it will tell us how many times the phrase came up in interviews."

(In a fraud case, a con-man may change

his name four times but he won't change his face, or the colour of his eyes.)

However, the proof of the pudding for John Evans is this: "As a cynical policeman, the great advantage for me is that operational detectives now actually want the system."

In many ways, that's what people are finding whenever our office automation systems are installed. In manufacturing for example, distribution, commerce, retail, finance and government.

In the words of the famous American TV police series, there are a million stories to tell. This has been one of them.

For more information call Brian Reynolds on 01-750 1420 or write to him at Burroughs Machines Limited, Heathrow Hse., Bath Rd., Hounslow, TW5 9QL.



OVERSEAS NEWS

PRESIDENT BADLY WOUNDED IN ASSASSINATION BID BY PRO-MOSCOW HARDLINERS

South Yemen power struggle unresolved after coup attempt

BY RICHARD JOHNS

THE POWER struggle within the Marxist régime of South Yemen was still unresolved yesterday evening and the country's armed forces appeared to be badly divided, as fierce fighting continued around the port of Aden.

They had little doubt though of the show-down in the People's Democratic Republic of Yemen (PDRY) was related to the direction of the foreign policy of the former British colony of Aden and protectorate of South Arabia.

There was no certainty yesterday that Abdul Fattah Ismail, the hardline pro-Moscow ideologue and three other leading members of the Yemen Socialist Party's leadership had been executed on Monday.

Minister of Local Administration, and Mr Ali Shaybi, a ranking member of the ruling party, Abdul Fattah Ismail, one of the foremost leaders of the struggle against the British and the strong man of the régime in the 1970s, succeeded Ali Nasser Mohamed as President in October 1978 but resigned because of "poor health" in April 1980 after being ousted from power.

There has been exchanges between ministers, mostly in Moscow or on neutral territory such as the UN, but relations between the two countries have for the most part been frozen in indifference.

Japan is not accustomed to having Soviet foreign ministers descend, invited, on its doorstep, as Mr Eduard Shevardnadze did today.



base in the armed forces. He was known for his pronounced pro-Moscow leanings but was believed to have had some friction with Soviet military advisers.

Mobil International Finance Corporation

U.S. \$35,000,000. 7% Guaranteed Bonds 1986

NOTICE IS HEREBY GIVEN that pursuant to Condition 2 of the Bonds, \$2,355,000 aggregate principal amount of such Bonds of the following distinctive numbers has been redeemed on February 15, 1986 at the redemption price of 100% of the principal amount thereof:

Table with columns for bond numbers and amounts, listing various bond identifiers and their corresponding values.

The Bonds specified above are to be redeemed (a) at Citibank, N.A., Bond Services, 5th Floor, 111 Wall Street, New York, NY 10043 or (b) subject to any applicable laws or regulations, at the main offices of Citibank, N.A. in London, Frankfurt/Main, Milan, or Brussels, or at the main offices of S.G. Warburg & Co. Limited in London, Deutsche Bank A.G. in Frankfurt or Kreditbank S.A. Luxembourg in Luxembourg.

MOBIL INTERNATIONAL FINANCE CORPORATION By: CITIBANK, N.A. January 15, 1986

Withholding of 20% of gross redemption proceeds of any payment made within the United States may be required by the Interest and Dividend Compliance Act of 1983 unless the Paying Agent has the correct tax identification number (social security or employer identification number) or exemption certificate of the Payee.

Army guards key Beirut points after 21 killed

Lebanese army troops yesterday were deployed at key Beirut intersections leading to the Mater mountains after Christian militias claimed 21 lives in the worst violence in the city this year.

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UK questions Iran

Britain is asking Iran why its navy stopped a British ship in the Persian Gulf on Sunday, the UK Foreign Office said yesterday.

Soviet executives

The Soviet military authorities in Afghanistan have recently ordered soldiers for disobeying orders.

US 'backs Nigeria'

Mr Bolaaji Akinyemi, Nigeria's Foreign Minister, said yesterday that the US Administration endorsed his Government's strategy plan for repaying its \$1.5 billion multi-billion-dollar debt.

Ver to retire

Philippine President Ferdinand Marcos yesterday said Gen Fabian Ver, the armed forces chief, probably would "retire" before the February 7 presidential elections.

Shevardnadze aims to end the freeze in relations with Japan

BY JUREK MARTIN IN TOKYO

JAPAN is not accustomed to having Soviet foreign ministers descend, invited, on its doorstep, as Mr Eduard Shevardnadze did today.

There has been exchanges between ministers, mostly in Moscow or on neutral territory such as the UN, but relations between the two countries have for the most part been frozen in indifference.

Incidents such as the shooting down of the Korean airliner in September 1982, merely served to remind Japan that Soviet intentions were not necessarily benign.

The Soviet Union only ranks 16th as a buyer of Japanese goods and 20th as a supplier to Japan.

Japan held out for the return of all four, a peace treaty has never been hammered out, and the issue subsequently became frozen.

Aviation standards in region 'inadequate'

BY CHRIS SHERWELL IN SINGAPORE

THE Asia-Pacific region has some of the world's least-equipped and most unregulated airports and navigation environments, an official of the International Civil Aviation Organisation (ICAO) declared yesterday.

The stark warning came from Mr Duane Freese, director of the ICAO's air navigation bureau, in the second and final day of a Financial Times conference in Singapore on Aerospace in Asia and the Pacific Basin.

With these additions to the Airbus family, said Mr Brown, "our product line will range from 150 to over 400 seats optimised for stage lengths from 300 to 6,500 nautical miles."

Positive step' on Taba

Egypt yesterday expressed cautious approval of Israel's decision in principle to accept arbitration to settle the Taba territorial dispute.

Walker writes from Cairo. Dr Ksamat Abdel Meguid, Egypt's Foreign Minister, said after meeting President Hosni Mubarak that Israel's position was "a positive step which was reaching a milestone."

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Australia's current account deficit rises

By Michael Thompson-Noel in Sydney

AUSTRALIA recorded a current account deficit of A\$1,030m (€494m) last month, boosting the six-month deficit to A\$5.92bn or A\$1.2bn more than the current account deficit for the corresponding half-year to December 1984.

The figures are a severe disappointment to Mr Bob Hawke's Labor Government which may expect further strong pressure on the Australian dollar, whose crucial trade-weighted index (TWI) fell by 25.3 per cent in the 12 months to the end of last month.

Yesterday, the Australian dollar fell a half a cent to 62.8 US cents, while the TWI (May 1976=100) lost 0.3 to 61.6, (May 1976=100) lost 0.3 to 61.6, (May 1976=100) lost 0.3 to 61.6.

Mr Hawke's key policy aim is sustainable non-inflationary growth, but his pay accord with the unions, which embodies inflation-proof wage-setting, is falling out of favour with employers.

The trade deficit last month rose by A\$166m to A\$166m. Exports rose by only 1 per cent, while imports rose by 5 per cent, with a surge in car imports because of special factors.

Net apparent capital inflow in December was A\$565m, but the level of official reserve assets fell by A\$420m to A\$12.2bn.

There is a strong case for this year's sharp currency depreciation as predicted, and that exports are performing sluggishly. This is mainly because Australia is heavily dependent on bulk commodity exports.



Mr Yoshihiko Inayama, the chairman of the powerful Keidanren employers' organisation, said yesterday that Japan should adhere to its policies of fiscal reform and to Mr Gorbachev's call to reduce the country's trade surplus by boosting domestic demand.

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WORLD TRADE NEWS

Three electronics majors to invest Pta 19bn in Spain

BY TOM BURNS IN MADRID

SPAIN'S electronic sector received a boost yesterday when three multinationals separately announced investment plans totalling Pta 19bn (£87.4m). The programmes follow a breakthrough decision last year by American Telephone and Telegraph to establish a major semiconductor manufacturing base near Madrid. They will further diversify the Spanish electronics sector and establish a strong research and development base (R & D) in Spain. The highest investment project was announced by Siemens of West Germany which unveiled plans for a Pta 10bn three-year programme including a design centre geared to export hardware and software products to Europe. Telefonica, Spain's telecommunications company, has signed a Pta 6.5bn agreement with Pacific Telesis under which the California group will build and R & D centre that will be operational by mid-1988. Hewlett Packard said it would spend Pta 2.5bn on a new plant at San Cugat de Valles near Barcelona to manufacture graphic plotters. The plant will employ 800 to 900 and have output worth Pta 8.5m in 1988, 90 per cent of which will be exported. The Siemens project is also export geared and will diversify the West German company product line in Spain which has concentrated on supplying electrical capital goods. The investment plan will create 420 new jobs. At the end of its three-year

Tokyo grants soft loan for China oil project

By Robert Thomson in Feidng

JAPAN IS to grant soft loans of ¥35.8bn (£121m) for a joint oil development project in the Bohai Sea, off the northern coast of China. Contracts are likely to be signed later this week by the Export-Import Bank of Japan and the Bank of China, with 40 per cent of the loans due in nine years and the remainder in 11 years. The interest rate has not been announced. The Export-Import Bank said negotiations for the loan for the Japan-China Oil Development Company project in the Bohai Sea had taken more than two years. The company is a joint venture comprising a group of Japanese oil companies and the China National Offshore Oil Corporation, which overtook oil exploration in China. Last year, the Japanese Bank, which has aimed its soft loans at energy development projects since entering the China market in 1978, provided loans of ¥1bn for onshore oil exploration projects. The bank said the soft loans would be used for the development of funds.

Japan and US may widen trade talks

BY JUREK MARTIN IN TOKYO

JAPAN and the US are certain to continue negotiations designed to prise open further the domestic Japanese market in spite of the nominal conclusion last weekend of a year's bargaining on four selected product areas. Mr Clyde Prestowitz, special counsel to the US Secretary of Commerce and a key participant in the so-called Moss (market-oriented, sector selective) round, said in Tokyo yesterday that a continuation was inevitable and the talks might have to be extended to other sectors. Last Friday in Washington, the two foreign ministers, Mr

Shintaro Abe and Mr George Shultz met to mark the end of the Moss series on telecommunications, electronics, pharmaceuticals and forest products. The simultaneous announcement of a measure of agreement on the intractable plywood issue led the Japanese authorities and the local media to suggest that one of the highest hurdles in the bilateral trade friction saga had been overcome. The US Administration, for internal political reasons, welcomed the conclusion of the round with considerable hyperbole.

Yesterday Mr Prestowitz said "a declaration of victory is a little strong." Progress had been made in reducing Japanese obstacles in telecommunications and pharmaceuticals and there had been "a measure of success, though not complete, in forest products." "Negotiation is a discrete thing. You can achieve everything on the agenda without necessarily solving all the problems," Mr Prestowitz said. The extent to which Japanese barriers remained was still very much a matter for debate. Although the Administration could carry a veto on

"egregious" protectionist legislation in Congress, some bills contained much merit. Nor should Japan discount "the hostility factor" in the US. Mr Prestowitz noted that earlier yesterday morning Senator Tom Eagleton, the Missouri Democrat, had confessed in Tokyo that he had been transformed from "a flaming free trader" into a protectionist. For a man like Senator Eagleton to say as much, he said, constituted a real "sea change" in attitudes. Though a tough negotiator, Mr Prestowitz is by no means an ideological free trader. He

suggested the US had many things to learn from Japan - in understanding "what competitiveness is all about," in management methods, in corporate interest in employees, and in a non-adversarial relationship between government and industry. Nonetheless, Japan, too, had much to learn from the US and about US attitudes. Japan's historical and cultural homogeneity had meant that "it hasn't had to think very much about what it means to be open. The Japanese think they are open, but they don't understand what we mean when we say they are not open."

India set to decide on controversial pipeline contract

BY JOHN ELLIOTT IN NEW DELHI

INDIA IS expected to decide within the next few days whether to award a \$600m (£419m) pipeline contract to a consortium of French and Japanese companies in spite of strong protests from Canadian and Italian competitors that NKK, the main Japanese company involved, is not qualified to do the work. Both the Canadian and Italian Governments have said that NKK should be disqualified. The issue was taken up last month with Mr Rajiv Gandhi, Indian Prime Minister, by Mr Joe Clark, Canadian Foreign Minister, during a visit to Delhi.

A major row has blown up since bids were opened two months ago for constructing a 1,700 km natural gas pipeline diagonally across India from Hazira on the west coast near Bombay to Jagdishpur in the north. A consortium led by Spie-Cabag of France, including NKK, and Toyo Engineering of Japan, submitted the lowest bid at \$610m and was recommended for the contract by the client, the Government-owned Gas Authority of India. The other two main contenders are Samprogetti of Italy at \$695m, and a consortium led

by Nova of Canada and including Majestic Contractors of Canada and Entrepres of France, which bid \$862m. A fourth bid at \$625m came from a consortium including Conduco of Mexico and Hyundai of South Korea, but is not in the running. After the official Canadian protest and a fusillade of propaganda in the Indian Press from Samprogetti, the Indian Government appointed a committee of top civil servants under Mr P. K. Kaul, Cabinet Secretary, to review the bids. This is expected to reach a decision within a few days.

The situation is politically sensitive because Samprogetti has been accused of winning contracts in India through an "Italian connection" because of contacts with Mr Gandhi's wife who is Italian. The company strongly denies any such connection. Spie-Cabag, leading the consortium with NKK, has satisfied the gas authority of India that NKK meets qualifications based on the company having laid 1,000 km of cross-country pipe of at least 84 in diameter in the past seven years. The Canadians and Italians

say NKK does not have this experience because much of its work has been subcontracted but has received letters from public authorities in Libya, Iraq, Thailand and Japan backing NKK's claims. NKK would carry out 40 per cent of the pipelaying and all cathodic protection work while Spie would do 60 per cent of the pipelaying. The Canadian companies' financial package include a loan covering 28 per cent of the foreign exchange content for repayment over 40 years, with no interest, after a 10 years grace period.

Lada to unveil latest models in Brussels today

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

A NEW generation of Lada cars from the Soviet Union - front-wheel-drive hatchbacks developed by the VAZ organisation and refined by Porsche Engineering of West Germany - makes its world debut at the Brussels Motor Show today. It could enable Lada to lift West European sales above 100,000 a year and to more than 1 per cent of the total market. The new models, about the same size as the Ford Escort and previously known by the code name, the Lada 2108, will go on sale in Continental markets in the late spring. The UK importer hopes to receive supplies in the second half of 1986. VAZ has stressed in the past that production of the current Lada Riva models, based on outdated Fiat designs, and the four-wheel-drive Niva will continue at least until the end of the decade. About a third of the capacity of VAZ's factory at Togliatti in the Soviet Union has been turned over to the 2108, giving an annual capacity of about 250,000. Robots and other automated equipment has been installed in the body product area of the plant. The Lada organisation has been keeping about 60 per cent

of output for the domestic market which suggests exports of the 2108 could reach 110,000 a year - but mainly at the expense of the Riva and Niva sales. In 1984, Lada achieved sales of 90,120 in Western European markets for a 0.85 per cent share. After nine months of 1985 its sales were 67,293 and share 0.83 per cent. Best markets in 1984 were France (23,051 sold), the UK (13,933), Belgium (12,922), Finland (11,487) and West Germany (8,691). The new model will be called the Lada Samara in Belgium and priced at the 1.3-litre versions range from BFR205,000 (£2,820) to BFR 210,000 compared with the BFR 194,969 list price for the current 1.3-litre Lada Niva. A three-door hatchback, the new Lada employs two, all-new naturally-aspirated engines with electronic ignition - a 1.3-litre and a 1.5-litre, both four-cylinder units with belt-driven overhead camshafts and aluminium heads. The manufacturers so far have given details only of the 1.3-litre versions which indicate only an average performance compared with the competition. The 65-hp engine gives a top speed of 92 mph and takes the car from 0 to 60 mph in 14.5 seconds.

The Tandy 3000 more of what it takes - even faster.

Keeping your nose out in front in any small business is no easy task these days. With legislation for this and legislation for that it can be an administrative nightmare. If your leisure life has been turned into a life of ledgers and if your once original thinking is being smothered by paperwork then the Tandy 3000 could well be what you need to help you restore some order.

It's the sort of desk top decision maker which can release you and key staff to pursue fresh business ideas.

Ideally suited to a small business it has the power and speed to competently handle your existing business needs. It's also big enough to stretch with you as your business grows.

For those who know about these things you'll recognise that the Intel 80286 is "the business" when it comes to performance. If performance is at the heart of any decent computer then the software is its soul, and with the Tandy 3000 you get one of the widest choices of software for any personal computer available. Making use of existing software operating on the Tandy 1000 and the IBM PC/XT and AT.

Tandy 3000 comes with half a megabyte of main memory (512K) which you can upgrade to 12 megabytes (under Xenix). The 3000 has a bigger brother which might suit your business a little more. It is the 3000HD with a built-in 20 megabyte hard disk drive. Both will let you link up with telephone modems, printers and plotters.

The Tandy 3000 Floppy disk system including monochrome monitor, text monitor adaptor and MS-DOS 3.1/Basic is available from £2,432 plus VAT while the comparable 3000 HD 20 megabyte system costs from £3,232 plus VAT.

Whatever system you opt for you'll get the sort of positive back-up you'd expect from one of the world's leading computer companies. The Tandy 3000 systems add up to remarkable value for money and that, we believe makes our computers clearly superior. Test us out and you'll find we really do have more of what it takes.



TANDY COMPUTERS

The range that's clearly superior

Tandy Corporation (Branch UK), Bridge Street, Walsall, West Midlands WS1 1LA. Telephone: 0922 648181

For further information dial the operator and ask for

Freefone Tandy Computers

Available from selected Tandy Stores, Dealers and AT Computerworld

IBM PC/AT™ International Business Machines.

See the complete range of Tandy computers at the Which Computer? Show January 14th-17th 1986, NEC.

A reminder

Company accounts for the period ending 31 March 1985 should reach the Registrar of Companies by 31 January 1986

This applies to any private company incorporated before 1 October 1984 which has an accounting reference date of 31 March unless it has an extension of time for delivery under section 242 of the Companies Act 1985.

Otherwise the directors will have committed an offence and may be prosecuted.

The Registrar is looking for the support of the accountancy profession in helping directors to meet their obligations.

COMPANIES REGISTRATION OFFICE Companies House, Crown Way, Maindy, Cardiff CF4 3UZ. Tel: Cardiff (0222) 388588.

THE ARTS

Television/Christopher Dunkley

Secrets and corruption flourish between the dancing Bluebells

The resurgence of the BBC continues: space. Admittedly ITV had a strong schedule last night with the opening episode of Central's drama series Bluebell and then, after the news, nearly two hours devoted to the awful and important subject of torture. However, between Christmas and last night the BBC has been overwhelmingly predominant. My notebook for the week ending January 12 shows that I watched 27 programmes on BBC1 and BBC2 and just six on ITV and Channel 4.

had a wonderful time paying tribute to the master. We had everything from parodies of the favourite Hitch camera angles (the floor-level pan which for some reason is so sinister) to a builder's merriments from him announcing "Hitchcock and Co." There were two laws: however much the production team enjoyed the trip to Italy the main effect of the Italian section of the drama was to slam the brakes on a hitherto runaway plot; and the notion that the dog's home would not bother to investigate the identity cylinder on the collar of a lost dog was ludicrous. That aside, The McGuffin was an enormous pleasure.



Carolyn Pickles as Margaret Kelly in "Bluebell"

victims of racism lived together in a Devon house for five days while Edward Goldwyn's camera recorded the result—an uninformative mess which was not worth broadcasting. On the other hand Frickley—The Changes, a five-part BBC2 series shown within a week, was remarkably effective in revealing a variety of attitudes and effects brought about by the miners' strike. In these programmes, made by BBC Manchester, the television crews did not pretend to be alien to their subjects repeatedly dug and after the strike and interviewed them straight to camera. Sometimes the results were more telling than the subjects may have realised: all the talk of "loyalty" and "community" chimed oddly with the experience of working miners who found that loyal members of their close-knit community waiting till dark and then beating bricks through their windows. It was an engrossing series which might benefit from another episode in a year's time to discover whether grudges are still carried, whether the work has been diverted entirely to the women and whether the miners' wives are still nipping down to London for consciousness-raising sessions with the liberal ladies of Hampstead and Highgate.

Before considering the new series which have arrived with the new year it is worth looking back momentarily to Christmas to remark upon the BBC's extraordinary triumph in the ratings contest. I predicted in the FT's Christmas Eve programme supplement that the Corporation, having lost the battle for Christmas 1984, would win in 1985. But even I was surprised at the thoroughness of its success. First, it took a place not of the Christmas week, Top 10 nationally (and in London, the south and the south-east it swept the board). Secondly, it achieved this entirely with programmes transmitted on Christmas Eve, Christmas Day and Boxing Day in contrast to recent years when the top programmes of Christmas week have been routine series transmitted outside the actual holiday. Thirdly, it not only took 43 per cent of the audience with BBC1 compared to 40.3 per cent by ITV, it also scored 11 per cent with BBC2, more than double the figure for Channel 4. Lastly, if you look at the pro-

jected despite good intentions. Her Schöberg songs—the opus 2 set—were handed with cunning and care to German commentators left by half and then half intelligible, and Poulenc's patter-style was not remotely within her means. In the event, her Ohradors group at the end of the recital all gained by her assured, attractive presence. What they missed, rather a lot of the time, was sheer voice. Miss Steiger's light soprano is good in parts, and mostly well-tuned (Wolf's "Die Spröde" is a cruel case of pitch, and she passed it confidently). Yet it never quite opened, in this recital: one waited, song by song, for the voice to find itself, and it didn't. There was always some constrictedness in the upper half of her range, and a worrying want of

Desmond Wilcox is an unscrupulous antiquer dealer, Lovelady is one those television characters who has the words "loveable rogue" boisterly in the air above his head, a sort of "market" Arthur Daley. The East Anglian locations are superb. On the non-fiction side the New Year has brought a spate of "ordinary people" but took the precaution of contriving the situation in which they would find themselves and hand-picking the subjects: four self-proclaimed racists and four

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partially contradicted the previous two. Walls disappeared, a tree descended from the stage, there was a minor audience. Again, the presentation was charming, but irrelevant. I was told that it all looked splendid on television, where, oddly, a cramped production can expand, as a super-spectacular in a dimly lit room. For the role of Falstaff, age is not necessarily a handicap. Marianna Stabile, peerless interpreter of the fat knight, must have sung it until he was 70. Sesto Bruscantini—the Sir John in Naples—is in his mid-60s and has more than enough voice to do the music justice. He also has the required wit, as he has demonstrated on countless occasions. But De Simone's direction seemed to constrain him, to be implacable, but strangely dull. Against the usually vibrant Ford of Leo Nucci, Bruscantini's character picked up some vitality; but it was lost again in the last act, where he should have been at his best. The others were all acceptable, and for the most part the stern conducting of Daniel Oren kept the complex ensembles together. Frank Lopardo should be specially mentioned for his affecting Fenton, and Alida Ferrarini shone as a sweet, bright, touching Nannetta. Oren, the new permanent conductor at the San Carlo, has got the orchestra playing well (they showed what they can do last year, with Verdi's Macbeth); now he could relax a bit and allow them a more Mediterranean mellowness.

Anna Steiger/Wigmore Hall

David Murray

secure support. When those things are sorted out, matters of diction may take care of themselves. Tentative consonants left by German for a half and then half intelligible, and Poulenc's patter-style was not remotely within her means. In the event, her Ohradors group at the end of the recital all gained by her assured, attractive presence. What they missed, rather a lot of the time, was sheer voice. Miss Steiger's light soprano is good in parts, and mostly well-tuned (Wolf's "Die Spröde" is a cruel case of pitch, and she passed it confidently). Yet it never quite opened, in this recital: one waited, song by song, for the voice to find itself, and it didn't. There was always some constrictedness in the upper half of her range, and a worrying want of

Elmer Gantry/Gate, Notting Hill

Michael Coveney

natural talent for oratory, propel him through a career in Southern and Mid-Western early 20th century Christianity like a fire in a forest. He destroys and consumes while preaching salvation. The book, and this musical, repeat this point almost ad nauseam. But Lewis also built great scenes worthy of Nathaniel West or Fitzgerald into the story, none finer than the first glimpse in Nebraska by Gantry of Sharon Falconer, the erotic evangelist whose penitence the Establishment make Billy Graham look like a hick-town buster. That scale of incident is, of necessity, missing. But so, incredibly, is Sharon Falconer and the amazing erotic pagan interest in her private life. All that remains of Falconer is a brief impersonation of the sidekick Gantry replaced—but not of context. Mr Brown has also struck out Bishop Toomis, Gantry's Methodist inspiration,

along with the book's crucial differentiation between Baptist revivalism and Methodist big business; he accepts the insipid figures while rejecting the Dickensian. We are left with a coy, fat skinn through Gantry's treatment of Lulu Baines (Ellis Richards) and the recurring righteousness of his seminary contemporary, Frank Shallard, whom Simon Green plays with vocal authority and physical recitatives—his great denunciation number has everything except a whiff of original melody. When the Gospel Show device gives out, Wendy Pollock is on hand as Gantry's mother to fill in gaps. Don Fellows doubles as the Kansas-dear and Lulu's father. Mr Jones is one of the authors of the Sloane Ronger Review. If he was here aiming for the evangelical equivalent he may have succeeded; his show is trite, easy and unremarkable.

Falstaff/San Carlo, Naples

William Weaver

Among the artistic directors of Italian opera houses, Roberto De Simone—responsible for the San Carlo in Naples—is the man with the most distinguished audience. He made his name, about two decades ago, when he formed the brilliant Compagnia di canto popolare, a group that performed—with rare brio and musicality—a repertoire of Neapolitan folk music for the most part unfamiliar, discovered and prepared by De Simone himself a trained musicologist and graduate of the Naples Conservatory. So the announcement that a Falstaff staged by De Simone would inaugurate the San Carlo season was bound to arouse anticipation. Add, in the event, the production he created was of unquestionable interest, though it was also perplexing and not entirely successful. With his regular collaborators Mauro Carosi (sets) and Odette Nicoletti (costumes), De Simone created a rustic frame, a vast, dilapidated barn, presumably somewhere in Southern Italy, with a little makeshift stage in the middle of a few kitchen chairs, bales of straw. As a stage-picture, it was beautiful, and the movements of the singers from the little platform to other parts of the "real" stage were cleverly worked out. But still, the acting seemed cramped, the laundry-hammer joke misfired, and there was no room for Falstaffian boisterousness. But, for that matter, there was no boisterousness, no knockabout comedy in this production. True, Falstaff has a melancholy vein running through it; but it is not the only vein. Eliminating the tedious mood in the Act One scuffle is no great loss; but in the last act, before Falstaff cries "All! somebody has to hit him. Here, he was untouched. Far the rest, the third act

Trio Atalanta/Purcell Room

Dominic Gill

and began it with two rarities—early Shostakovich and early Rakhmaninov. Shostakovich rather chaotically full-blown Trio no. 1, dating from 1923, is not yet "characteristic" and as full of wild switches of style as wild switches of direction; Mendelssohn's chamber works nova smoothly full-blown Chaikovskian study—his Trio elegiac of 1892—is almost a pastiche of the great Chaikovskian Trio, and contains not a single bar of pure Rakhmaninov; fun too, and though less original than the Shostakovich, more commanding. They gave late Mendelssohn next: the delectable C minor Trio, which of all the late Mendelssohn chamber works brings to mind Schumann's famous words—"19th-century Mozart" delivered here with poise and point and easy grace.

Oriental treasures for Washington

The Smithsonian Institution of Washington, DC, has paid \$7m for the Vever collection of oriental miniatures and manuscripts. It is the most significant purchase in the history of the Smithsonian. The deal was arranged by the London dealer Michael Goehris. Vever, a Parisian jeweller who died in 1943, was one of the leading collectors of his age. It was feared that his collections were lost in the Second World War but his unrivalled group of Japanese prints suddenly re-surfaced, to be sold at Sotheby's in the mid-1970s. His 300 Persian and Indian manuscripts and miniatures have not been seen in public since 1931, but were, apparently, in the possession of a descendant.

Elisa Richards, Mark Ryan and Simon Green



Elisa Richards, Mark Ryan and Simon Green

Table with columns for bank names and interest rates. Includes entries like ABN Bank, Allied Dunbar & Co., and various mortgage rates.

Arts Guide

Theatre LONDON News Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blake's more brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (838 8800) Southgate Express (Apollo Victoria): Andrew Lloyd Webber's roller-skating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disregard Star Wars and Cats as all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6194) 4th Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's top-dancing extravaganza has been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day. (838 8180) Me and My Girl (Adelphi): Sleazebag, efficient and enjoyable revival of Britain's biggest war-time musical hit with Robert Lindsay in the Lupino Lane role emerging as the best new musical star since Michael Crawford. (836 7811) Merriman (Victoria Palace): Michael Crawford returns to London with his breathtaking performance as the circus impresario, adding one or two new tricks in a flexible mélange of a musical. (834 1317, credit cards 826 4725) Frayds (Olivier): Entertaining new play by David Hare and How-

ard Brenton for the National Theatre in which an unscrupulous South African magazine acquires Britain's most prestigious newspaper. A Johnsonian satire on the grand scale and with an irresistible performance by Anthony Hopkins as the colonial who penetrates the Establishment while a nation dithers. (828 2202) Guys and Dolls (Prince of Wales): The 1952 National Theatre production has arrived in the West End. If anything improved by the new casting of Lulu as Miss Adelaide and the notably well sung black Sky Masterson of Charles Peters. Richard Eyre's production and John Gutter's affectionately lavish designs complement this most joyful and literate of musicals, a fitting tribute to the recently deceased co-librettist Abe Burrows. (930 9881) Torch Song Trilogy (Alday): Anthony Sher plays Harvey Fierstein's luridly risqué play of the life and loves of a drag queen fighting for emotional and domestic stability. Truthful playing has the effect of cruelly exposing Fierstein's tawdry uneven writing. (834 3878) Gigi (Lyric): Unconvincing stage revival of Lerner and Loewe's film follow-up to My Fair Lady, Beryl Reid rising liminally above the material, Jean-Pierre Aumont and Simon Phillips lending more conventional support. John Dexter directs. Jocelyn Herbert designs. (431 3888) Lennon (Ardara): A not too critical celebration of the life and music of John Lennon that is enjoyable especially for the musical resourcefulness of the cast and Mark McGann's look-and-sound-alike. Lennon look-and-sound-alike. (734 4227) NETHERLANDS Amsterdam, Subculture Theatre (Prinsengracht 301): Songs to make you sing and jokes to make you weep in an evening of Old Time Music Hall presented by the Hall family (Wed, Thur). (22 7571) In Regard of Flight (Kraeger): Bill Irwin's theatrical spoof shows off the mime's talent in confronting a man-eating stage curtain and a disappearing shoe on the quest of a new theatrical genre. Ends Jan 12, Arena Stage. (486 3300) Resurrection (Arca): Edward Bond's combined 19th-century high life with music by Nick Bick is directed by Sharon Ott of the Berkeley Rep. (486 3300) NEW YORK As Is (Lyceum): The first play about AIDS makes gestures toward the whole community the disease affects and focuses effectively on the victim and his protective lover, but this Circle Rep production also has distracting artistic touches to patch over the play's lack of development once the disease is diagnosed. (238 8200) Cats (Winter Garden): Still a sellout. Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically felicitous, but classic only the sense of rather staid and overblown idea of theatricality. (238 8282) 4th Street (Alday): An immediate celebration of the heyday of Broadway in the '20s incorporates gems from the original film like Shuffle Off to Buffalo with the appropriately brass and jazz boogie by a large chorus line. (877 8020) Brighton Beach Memoirs (49th St): The first instalment of Neil Simon's mix of memories and jokes focuses on a Depression-era Jewish household where young Eugene falls awkwardly in love with his cousin. (221 1211) A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as music rather than emotions. (238 6200) La Cage aux Folles (Palace): With some baneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film menages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (575 2828) Fin Not Reppopot (Booth): In moving to Broadway, Herb Gardner's touching, funny and invigorating play about two widows retains its stars, Judi Hirsch and Cleavon Little, who almost conquer the world when they think they are just bickering with each other. (238 6200) Big River (O'Neill): Roger Miller's music rescues this secondary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220)

Experimental theatre favoured for Arts Council subsidy

The Theatre Enquiry, set up by the Arts Council under the chairmanship of Sir Kenneth Granger, has been shaping up as the harbinger of a new era in theatre for British theatre, and Sir Kenneth was adamant yesterday that he expected any proposals his committee came up with to be implemented by the Arts Council. It could mean a new set of criteria by which the Arts Council hands out subsidy. Sir Kenneth, a respected accountant, does not envisage any more than a modest increase in the grant in the immediate future. So it remains a question of priorities—and he favours devoting money to the new and the experimental at the expense of the theatre and drama groups that receive cash because they have always been Arts Council children. Other members of the Theatre Enquiry group are: Hugh Hudson-Davies, a management consultant; the actress Diana Rigg; the critic Michael Billington; the theatre manager Peter Tod; and Clare Venables, the director of the Sheffield Crucible. They will meet every month, and will present a report by next September to enable the Arts Council to introduce changes for 1987-88. Apart from the monthly meeting the members will visit a number of representative theatres, including the Coventry Belgrade, the Plymouth Theatre Royal, the Bush, the Royal Court, Hull Truck, Shared Experience, Monstrous Regiment, the Church of St. Dunstons, and the West End State. They will also accept evidence from anyone in the theatrical world who wants to make a case, as well as from the commercial theatre. Apart from wanting to divert resources from old clients towards theatre companies that gamble (and sometimes fall) Sir Kenneth is also against the idea of spreading misery thinly. If there are insufficient funds for each theatre in get the grant it needs there should not be, say, a 2 per cent cut for everyone; some should be much encouraged others cut back. The Arts Council will welcome the Theatre Enquiry's proposals because responsibility for some unpopular changes will have been passed on to an independent, but expert, body. Unfortunately, by the time the committee reports, the damage done to the arts by the disappearance of the Arts Council will have probably closed a few theatres, such as the Liverpool Empire. But Sir Kenneth sees potential in the idea of Government legislation forcing successor local authorities to devote to the arts some of the money they have gained from the disappearance of the Arts Council. Antony Thornecroft

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TECHNOLOGY

Geoffery Charlsh on an optical information signals device
Signal for a faster circuit

TEAMS AT the Plessey Company laboratories in Caswell, Northamptonshire, are on the way to developing commercial devices that will allow optical information signals to be handled and processed as easily as their older-established electrical equivalents.

Dr John Bass, director of research, expects samples of the devices, which are the result of Plessey private venture projects, to be on the market this summer.

Optical fibres have been in use for over 10 years in communications systems ranging from national telephone networks to military aircraft cabling. But although the information is in the form of light while it is transmitted from point to point, it is processed at the two ends of the line, and often at places in between, by conventional electronic circuits—these are those in systems using electrical signals down copper cables.

Apart from the need for conversion between the two kinds of signal, it is also clear, with the very high information capacity signals fibres are able to carry, that purely electronic circuits will be too slow in to-

tomorrow's communications systems.

Within the computer-like systems that handle the signals, electrons travelling relatively slowly in lengths of copper might take too long to move electrical pulses from place to place, so that switched light beams travelling at 300m metres/sec will have to be used instead.

Teams at the University of Arizona and at Heriot Watt University in Edinburgh are hoping to speed computer operation by at least 1,000 times.

The Caswell researchers are mainly interested in finding ways of carrying out established communications functions optically. For example, information has to be impressed on the light beam, requiring devices called modulators. Streams of data from several sources at once often have to be united into a single signal, an operation carried in a multiplexer. Or light signals may have to be switched into different fibres to send them to different places.

To modulate light from a fibre, the basic electro-optic effect in a light waveguide is used. The waveguide consists of a channel on the surface of

a gallium arsenide block which has been made by diffusing titanium into the surface. This gives the channel a sharply different refractive index, causing it to guide light down its length, just as a fibre does.

When metal electrodes placed to each side of the channel are subject to a voltage, the speed of the light wave can be increased and reduced.

The modulator device consists of two such channels, fed from the fibre and joined at the light input and output ends. Incoming light divides and experiences different delays in each channel due to different voltages which represent the information signal.

When the light unites again at the output, the two signals are not in phase and the output light intensity waxes and wanes in sympathy with the information voltage applied to the electrodes. The output light gets brighter and darker extremely rapidly, in sympathy with the signal, which might be anything from thousands of multiplexed speech channels to high speed computer data.

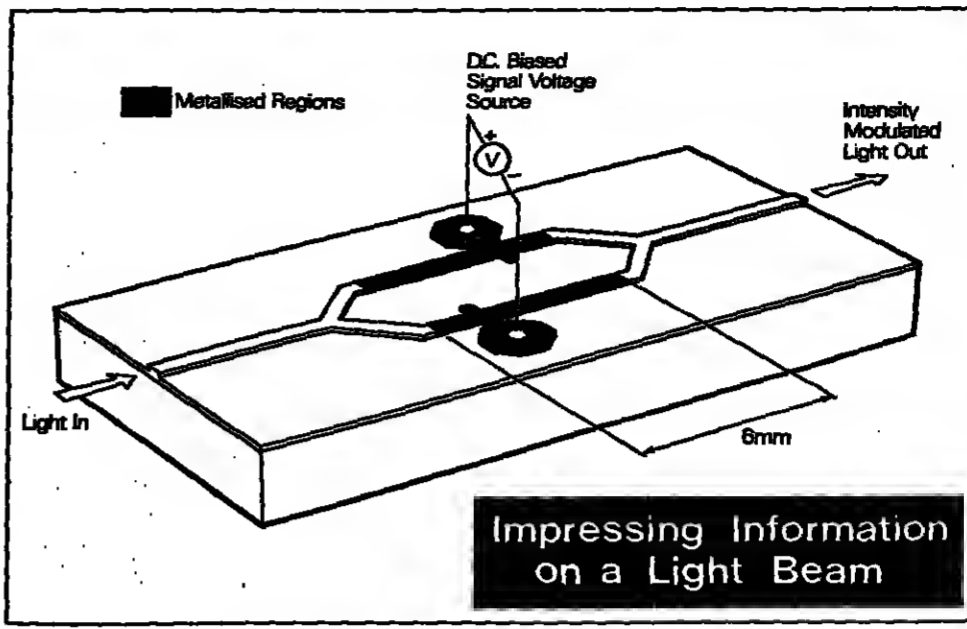
In another device produced by the Caswell team, which is headed by Mr Ian Bennion, light

can be made to "jump" from one waveguide to another in a device constructed from lithium niobate. The guides run very close together and are enclosed by electrodes which, when supplied with a suitable voltage, will allow cross-switching between the two channels.

A similar system has been developed by Ericsson, but it produces switching between two input and two output fibres by altering the refractive index on the surface of the lithium niobate.

A paper given by two young researchers, Rosemary Cuth and Martin Goodwin, in the 1985 Caswell Annual Review, deals with work aimed at producing the optical equivalent of the logic circuits present on almost every semiconductor chip.

Such circuits are at the heart of computing, allowing binary logical processes to be carried out. In binary arithmetic, there are only two numerical symbols, 1 and 0, and any number can be represented by a string of them written in the correct order. So devices having only two states—"on" and "off," representing 1 and 0—are used to compute.



Any such "bistable" device developed for the very high digital pulse rates encountered in optical systems will have to be very fast. At the Plessey laboratories, devices have been developed based on several materials which will produce an output, or not, according to the presence or absence of two light inputs of particular brightness. The well known "AND"

and "OR" gates can be fabricated, operating in the case of lithium niobate materials in 50 billionths of a second. Devices several thousand times quicker than this have been produced in other materials like carbon disulphide.

Work is also in progress on logic devices using photochromic materials—those that

can be switched between two chemical forms by the application of light.

Apart from logic circuit applications, the technology is expected to be applied to image processing since, according to the laboratories, it can be used to address all the picture elements at the same time rather than sequentially, as in present systems.

EXCLUSIVE SCOOP

JCB

CONSTRUCTION EQUIPMENT

Progress in US on fuel cells

THE LOS ALAMOS laboratory of the US Energy Department reports good progress with work on fuel cells, battery-like devices which, when made commercial, will provide useful alternative power sources, particularly for propulsion.

Basically, fuel cells are devices which can turn chemical energy into electrical energy but which do not need re-charging like batteries.

The Los Alamos cell runs on wood alcohol. This is first converted to hydrogen and carbon dioxide. The hydrogen is run over platinum which has been deposited on very fine carbon particles.

The gas gives off electrons to generate a current in an external circuit in which, for example, an electric motor might be connected. The system continues to work as long as it is supplied with alcohol and the only by-product is water.

A potential drawback has been the cost of the platinum, but the laboratory has recently found ways of reducing the amount needed.

Grid Compass

THE COST of a Grid Compass personal computer with electro-luminescent display is more than £5,000 and not, as yesterday's Professional Personal Computers column seemed to imply, £2,250. The confusion was due to a transcription error.

ALAN CANE

TRAVELLERS from the UK planning to see Australia by train are being helped on their way by one of the most exciting developments in information technology—the expert system.

An offshoot of research into artificial intelligence, expert systems make it possible to capture the experience of an authority on a subject and make it available to the lesser qualified.

They have aroused great interest in companies which see advantage in being able to archive the knowledge and experience of expert staff.

Such a man is Mr Derek Townsend of Thomas Cook, the world's largest travel agency. His knowledge of the Australian railway system, built over "more years than I care to remember," as he puts it, is unrivalled.

That experience is invaluable to Thomas Cook. It is the general sales agent in the UK for Railways of Australia, which means that all inquiries and bookings, whether from British Rail, British Airways, other

travel agents or Cook's own offices, are funnelled through Mr Townsend's department.

He has a small team at Cook's headquarters in Peterborough which deals with day-to-day inquiries regarding departure and arrival times, itineraries and so on. The team used to spend its time thumbing through voluminous timetables to provide information in response to telephone inquiries, calling on Mr Townsend when his expert knowledge was required.

Now the timetables have given way to a personal computer, an IBM PC XT, and travel information appears on the screen in response to judicious prodding with a "light pen," a hand-held pointer.

The system was built by Thomas Cook in conjunction with Expert Systems International of Oxford, a leading artificial intelligence organisation.

Its other projects include Alfa, an expert system being

built for a club of financial institutions which is intended to measure the financial health of companies.

Ease of use was a prime consideration in developing the Cook system. Every query starts with a coloured map of Australia on the screen showing the railway system in diagrammatic form.

Routes are planned by touching the light pen first on the point of departure and then the point or arrival; dates are

chosen from a calendar painted electronically on the screen.

To some extent, this could be done using conventional data processing techniques given an automated timetable; the expert part of the Cook system is the way it searches for information in the files in its memory mimicking the methods built up by Mr Townsend.

It slips in information that does not appear in the official timetables; without a pass, for example, people cannot leave

the train at the station serving the Woomera rocket range.

Thomas Cook sees its Railways of Australia system as the first of a series which it intends to install to store and make available its vast hoard of knowledge about the travel business.

It was written in Prologue II, a computer language with its rules of operation based in formal logic.

Thomas Cook has a long record of innovation in applying technology to the leisure business so it is perhaps surprising that it moved quickly in a new area.

Take a light pen... and see Australia by train

Cellular radio capacity problem

CELLULAR RADIO, the successful new method of mobile telephony originally hailed as the answer to the capacity problems of traditional mobile systems, is running into similar difficulties of its own.

In the US, some operators have found their systems are filling up far quicker than expected because of the uneven distribution of telephone calls.

In the UK, the two national cellular operators, Racal-Vodafone and Cellnet, could find themselves in the same position. The UK now has more than 40,000 customers, but nearly 70 per cent of them are in the London area. The operators estimate that each of their systems could accommodate about 30,000 users in the metropolitan districts and that this figure could be reached within three years. Both are lobbying the Government for additional frequencies but the most suitable ones have already been earmarked for a pan-European system.

A cellular radio system works by dividing the coverage area, for instance a city, into small zones, or "cells," as little as one mile across. Each contains a low-powered radio transmitter operating on a fixed set of frequencies. Users, and in the early days of cellular radio that means drivers, are automatically switched by computer from one set to another as they pass

from cell to cell.

As a result, the system accommodates many more customers than conventional mobile radio. The limited range of the low-power signals means that the same set of radio frequencies can be re-used in non-adjacent cells.

This is fine in theory. But users and traffic tend not to be evenly distributed between the cells. This is causing particular difficulties for the Chicago system, which has signed up 23,000 customers since October 1983, when it became the first US cellular radio network to launch commercial operations.

The busiest cells, in the downtown financial district and near O'Hare airport, have traffic nearly six times the Chicago average. At one time last year about 5 per cent of calls in these areas were falling to get through, compared with a 2 per cent target.

In an attempt to combat the problem, Ameritech, the former American Telephone and Telegraph subsidiary which owns the system, has "split" some cells into smaller units. The radius has been cut from eight miles to four and in some cases to two. This has allowed the restricted number of frequencies to be re-used more often, thereby increasing the system's capacity.

Ameritech says, however, that this has created problems of

cell co-ordination and signal interference. It can cope with them, but argues that it cannot take the process any further.

Mr Evan Richards, vice president of engineering and operations, says that the effects of another reduction, to a one-mile radius, would be too serious.

So Ameritech, like the UK operators and others in the US, is pressing for more frequencies to be released. At the moment, US operators are each allocated 20 megahertz of frequency spectrum. They are calling for another six. "If we don't get them," says Mr Richards, "we're in trouble." The Federal Communications Commission (FCC) is to allocate further frequencies within two months and has indicated that it might meet the operators' wishes.

But the outcome is uncertain. First, there are several other contenders.

A number of commissioners are also believed to be sceptical about the claims of Ameritech and the other operators because the FCC was originally told that increased demand could be met through cell-splitting. Several experts agree. They say that it is not extra frequencies that are needed but more sophisticated and expensive, cell-splitting techniques. They accuse the industry of trying to grab the cheapest way out.

NEIL MCCARTNEY

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THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

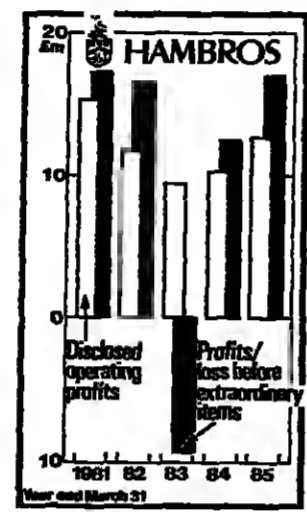
UK financial services

Sidestepping the 'Big Bang'

David Lascelles on Hambros' decision to avoid following the herd on deregulation

"MIXED" IS the most appropriate word to describe the reception which London's financial community gave to the rather surprising announcement from Hambros late last year that it intends to spend \$55m on buying Bairdrow Estate...

Believing that many of the best ideas were coming out of the US, Christopher Spurling, the chief executive in charge of non-banking business, visited Sears Roebuck, the Chicago-based retailing giant...



For starters, Hambros expects to write mortgages on about a tenth of the £1bn worth of houses which Bairdrow sells each year. This £100m of loan business — safer than lending to Latin America or shipping companies...

The deal should also provide an outlet for Hambros' insurance, investment management and legal protection services, all adding up to a neat fit — at least on paper.

Rupert Hambros resents the implication that this big plunge into the retail market means that Hambros has turned its back on the City.

The group has also hired some big names to boost its standing among the moguls of the corporate world and Whitehall. They include Sir Adam Ridley, the former senior Treasury official...

On the other hand, this is a time when all merchant banks are thinking hard about their future. Some see it in the City Revolution, the epoch-making deregulation of the Stock Exchange...

Labour relations

The limits of freedom

David Thomas assesses the changed climate

MANY SENIOR industrial relations managers in Britain learned their trade in an age when unions were a major force in the balance of industrial power.

In the 1960s and 1970s, by contrast, productivity deals more often took the form of erasing better results from workers doing ever more tightly defined jobs...

Other working time fashions, like flextime, have fallen out of favour. Flextime, Brewster and Connock write, "provides for employee controlled flexibility — arrangements in the 1980s will require such flexibility to operate more in the interests of the business."

Take the unions as a touchstone. At times, the authors write as though a hallmark of the new personnel approach is to by-pass the unions through, for instance, new forms of direct communication with their workforce...

Industrial Relations: Cost-effective Strategies, by Chris Brewster and Stephen Connock, Hutchinson, £7.95.



Rupert Hambros: "... we didn't like what we saw"

of a larger group, we have got to have our specialisations," says Padovan. "One of them will be a top class and attentive advisory service."

Advertisement for Nilfisk, featuring a cartoon character and text: 'A FINANCIAL TIMES SURVEY VEHICLE FLEET MANAGEMENT MONDAY FEBRUARY 10 1986'.

Company Notices section containing legal notices for Five Arrows Fund N.V., Petroles Mexicano, and Swiss Bank Corporation.

Statoll advertisement: 'Den norske stats oljeselskap a.s. Stavanger, Norway. U.S. \$ 125,000,000 9 1/4 % Bonds of 1986/1996'.

Gold Mining Company advertisement for Johannesburg Mining and Finance Corporation Group, reporting for the quarter ended 31 December 1985.

Legal Notices section containing notices for The Companies Act 1985 and Glove Brothers (Marketing) Limited.

Deutsche Bank Capital Markets advertisement listing various international banks and their services.

Contracts and Tenders section: 'INTERVENTION BOARD FOR AGRICULTURE PRODUCE INVITATION TO TENDER'.

NOTICE OF PURCHASE from European Investment Bank for 11 1/2% United States Dollar Bonds of 1983.

Svenska Handelsbanken advertisement regarding the redemption of outstanding bonds.

هكزان الاحول

UK NEWS

Peter Riddell examines the Thatcher Government's disarray over Westland

Tory squall with all the features of a cyclone

Ford workers set to take industrial action

BY DAVID THOMAS
FORD'S 37,000 manual workers look set to reject the company's final pay and productivity offer...

Call for regulation of Lloyd's

By Ivor Owen
PRESSURE on ministers to bring Lloyd's, the London insurance market, within the framework of statutory regulatory provisions...

Airports Bill out this week

THE GOVERNMENT is expected to publish its airports Bill later this week, possibly tomorrow, setting out proposed legislation to privatise the British Airports Authority...

Electricians head for Murdoch talks

By Philip Bassett and Helen Hague
TALKS are likely soon between EETPU electricians union leaders and Mr Rupert Murdoch's News International over a new agreement for the company's printing plant at Wapping, east London.

'NO ONE has emerged from it all with much credit,' one senior minister commented yesterday as the Government continued in disarray over the Westland affair.

16, infuriated Mr Heseltine and provided him with valuable ammunition. Similarly Mr Brittan made a mistake in seeing Sir Raymond Lygo as British Aerospace (BAe) last Wednesday, however well intentioned he was in warning Sir Raymond that some of the European consortium's statements were in danger of fueling protectionist sentiments in the US...

Mr Brittan's Tory critics argue that he has not been neutral over the affair, initially favouring the European option and later the Sikorsky/Fiat one, as they believe would be revealed by publication of minutes of meetings on October 4 and 18 as well as Sir Austin Pearce's letter.

Her critics argue that she and Mr Nicholas Ridley, the Transport Secretary, are themselves taking the main negotiating decisions over the proposed Channel fixed link at the moment rather than consulting the Cabinet as a whole.

Opinion polls in the past two days show the public largely against Mrs Thatcher and in favour of Mr Heseltine, with Tory support slipping.

The worry of Tory MPs is that the episode could mark a turning point in the Government's fortunes, similar to the beginnings of the "winter of discontent" in late 1978, especially given the latest rise in unemployment and increase in interest rates.

The plant where just one union member backed the European bid

IF Mr Michael Heseltine felt isolated in his last Cabinet meeting, consider the loneliness of one union member at the troubled Westland helicopter factory in Yeovil, Somerset, west England.

Mr Heseltine's intervention as Home Secretary last summer over a BBC programme on Ulster terrorism. So Mr Brittan was already in a vulnerable position when he got involved in a bruising and wholly unnecessary row on Monday over whether and when a letter had been sent to the Government by BAe.

Party members and senior ministers last night still regarded Mr Brittan's position as far from secure. Much may depend on how today's debate goes, which he will close.

Mr Vio Graia, in the composite product department and 16 years with Westland, said Mr Heseltine had subjected "the shareholders, the workforce and the defence needs of this country to his bid for power. The future of the company is a minor issue to him."

Blom from West Germany - succeeds, there will be no future for Westland.

"Sikorsky has \$1.8bn worth of backlog orders, they make good helicopters and sell a lot of them. With Sikorsky we would be building the Black Hawk under licence - a complete helicopter. With the Europeans I don't think we would ever again build a complete helicopter," he said.

Johannesburg Investments Consolidated Group
Gold mining companies' reports for the quarter ended 31 December 1985 with comparative figures for the previous quarter

Randfontein Estates
Operating Results (Unaudited)
Quarter ended 31.12.85 30.09.85 31.12.84
Gold 1,842,000 1,579,000 3,220,000

DEVELOPMENT
Metres advanced 31,12.85 30.09.85
Metres advanced 5,725 6,052

GOLD PRODUCTION
Metres advanced 31,12.85 30.09.85
Metres advanced 5,725 6,052

Western Areas
Operating Results (Unaudited)
Quarter ended 31.12.85 30.09.85 31.12.84
Gold 1,091,000 894,000 2,025,000

SAMPLING RESULTS
The values shown in the following tabulations are the actual results of sampling and development. No allowance has been made for any adjustments that may be necessary when computing ore reserves.

LONG-TERM LOANS (R000)
Balance at end of period 22,535 23,177 22,535

Elsburg
Elsburg Gold Mining Company Limited
Dividend declared 001 of 700 cents per unit of stock was declared on 19 December 1985.

UK NEWS

CBI urges £1bn boost to cut unemployment

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

BRITAIN'S industrialists yesterday called on the Government to take direct action to reduce unemployment...

In its pre-budget submission to Mr Nigel Lawson, the Chancellor, the Confederation of British Industry (CBI) urged a £1bn package of measures to cut the jobless figures.

Sir James Clesminson, the CBI president, said the measures would reduce unemployment by about 330,000 over two years through a partnership between the public and private sectors...

spending. Sir James said CBI members had completely rejected the idea of a general reduction of the economy. But the Government could 'stimulate growth, improve competitiveness and put people and resources back to work' within the context of its anti-inflation strategy.

The CBI's full proposals are based on the premise that Mr Lawson could have £3.5bn to spend in the spring budget, but they acknowledge that lower oil revenues may have eroded that scope. Business was convinced, however, that the first £1bn of any cash available should be spent to help the jobless, Sir James said.

If additional money was available it should be spent on raising tax thresholds in order to improve incentives for the lowest paid to ease the effects of poverty trap. The CBI president said business was still looking for a cut in interest rates after last week's 1 percentage point increase, but acknowledged the problems caused by volatile financial markets. He said recent events underlined the need for the Government to seize every opportunity to cut rates when markets were calm, but the impact on business of higher borrowing costs had been partly offset by sterling's fall against European currencies.

Councillors appeal against surcharges

By Raymond Hughes, Law Courts Correspondent

MORE THAN 80 Labour councillors from Liverpool and the South London borough of Lambeth went to the High Court yesterday to appeal against surcharges totalling more than £233,000 imposed on them for delaying the setting of a legal rate. (Local property tax).

Thirty-two Lambeth councillors face having to pay between them £126,947; the 49 from Liverpool are alleged to be liable for £106,103.

The surcharges were imposed by district auditors who claimed that the money was lost to the two councils as a result of the councillors' 'wilful misconduct' in failing to set a rate at the beginning of the 1985-86 financial year last spring.

The appeals, expected to last several weeks, arise from last year's rates rebellion by a number of local authorities and are regarded as a key test in the battle over the Government's policy of reducing council spending.

Three judges, headed by Lord Justice Glidwell, decided to hear the Lambeth appeal first, followed by the Liverpool case, and then to give judgment on both.

Mr Lionel Reed, QC, for the Lambeth councillors, said that the seriousness of the case for them could hardly be overstressed. A crucial issue would be their motive for not fixing a legal rate. Not only was a substantial amount of money involved, but they risked disqualification as councillors for five years. Most importantly, the 32 - all of them dedicated to the service of Lambeth - faced a charge of wilful misconduct - the gravest charge that could be made against a councillor.

In the context of the dispute between the Government and local authorities over the amount of rate support grant, and the Government's policy since 1979 of a continuing reduction of local government spending, the Lambeth councillors had been convinced that they could not provide for the borough's needs within the spending limit imposed on them. Their judgment had been that the drastic spending cuts required by the Government would not only reduce already inadequate council services but also cause job losses in an area of high unemployment in which the council was a substantial employer. The case continues.

Value of shop sales up by 9% last year

By George Graham

CHRISTMAS SHOPPERS pushed UK retail sales to record levels in December, according to figures published yesterday by the Department of Trade and Industry (DTI). Sales rose by 0.3 per cent from November, leaving the month's retail volume 3 per cent higher than at Christmas 1984.

December's retail sales are provisionally valued at £11.81bn, a year-on-year increase of 8 per cent. Over the whole of 1985, the average value of sales was nearly 9 per cent higher than in 1984.

DTI officials said that average retail prices for the whole of 1985 are expected to be 4.4 per cent higher than in 1984. December figures for the broader retail price index are due to be announced on Friday.

Falling retail sales volume in September and October took some of the sparkle out of strong summer sales figures, and December's figures are lower than forecast by most City of London analysts. November's sales volume, however, was better than previously thought, and has been revised upwards from the figure originally announced.

In the last quarter of 1985, retail sales volume remained at the same level as in the previous three months, but 8.5 per cent higher than in the same period of 1984. Over the whole of 1985 sales volume was 4 per cent higher than in 1984.

Minister defends pact in Ulster election row

BY OUR BELFAST CORRESPONDENT

MR TOM KING, the Northern Ireland Secretary, said yesterday that the Anglo-Irish agreement would neither be scrapped nor modified whatever the results of next week's 15 Ulster by-elections, caused by the resignation of Unionist MP's who opposed the deal.

Mr King called a news conference just hours before the two Unionist parties launched a joint manifesto. His intervention during the election campaign proper caused some surprise among Unionist leaders.

The Secretary of State said the Government was determined to make the agreement work. While he respected the right of the Union-

ists to resign, the by-elections could not overturn the will of Parliament. The parliamentary majority ratifying the agreement was the largest he had seen on a major issue. The Anglo-Irish pact, signed last November, gives Dublin a say in the running of Northern Ireland.

The Unionists could not go on saying no to everything. During 12 years of stalemate they had rejected every effort which had been made towards progress.

The Rev Ian Paisley and Mr James Molyneux, the Unionist leaders, said afterwards that Mr King would be "breaching the road to dictatorship" by ignoring the election results.

Hoverspeed profits hit

BY ANDREW FISHER, SHIPPING CORRESPONDENT

HOVERSPPEED, the cross-Channel hovercraft company, edged into profit at the pre-tax level last year, but the costs of moving its head quarters and of installing an unsatisfactory computer system tipped it back into the red.

The company made a pre-tax profit of £194,000 in the year to October 31, 1985, compared with a £321,000 loss the previous year. But for the bad weather last summer, it said, these profits would have been £500,000 higher.

These costs were partly offset by a tax credit of £302,000 compared with a £305,000 charge the previous year, but Hoverspeed ended the year with a final loss of £375,000 against £406,000.

Company Notices

GRANGES AB THE GRANGES COMPANY US\$15,000,000 8 1/2 per cent Loan 1989. S.G. WARBURG & CO. LTD. announces that the annual redemption instalment of US\$1,000,000 due 15th February, 1986 has been met by purchase in the market to the nominal value of US\$919,000 and by drawing of Bonds to the nominal value of US\$81,000.

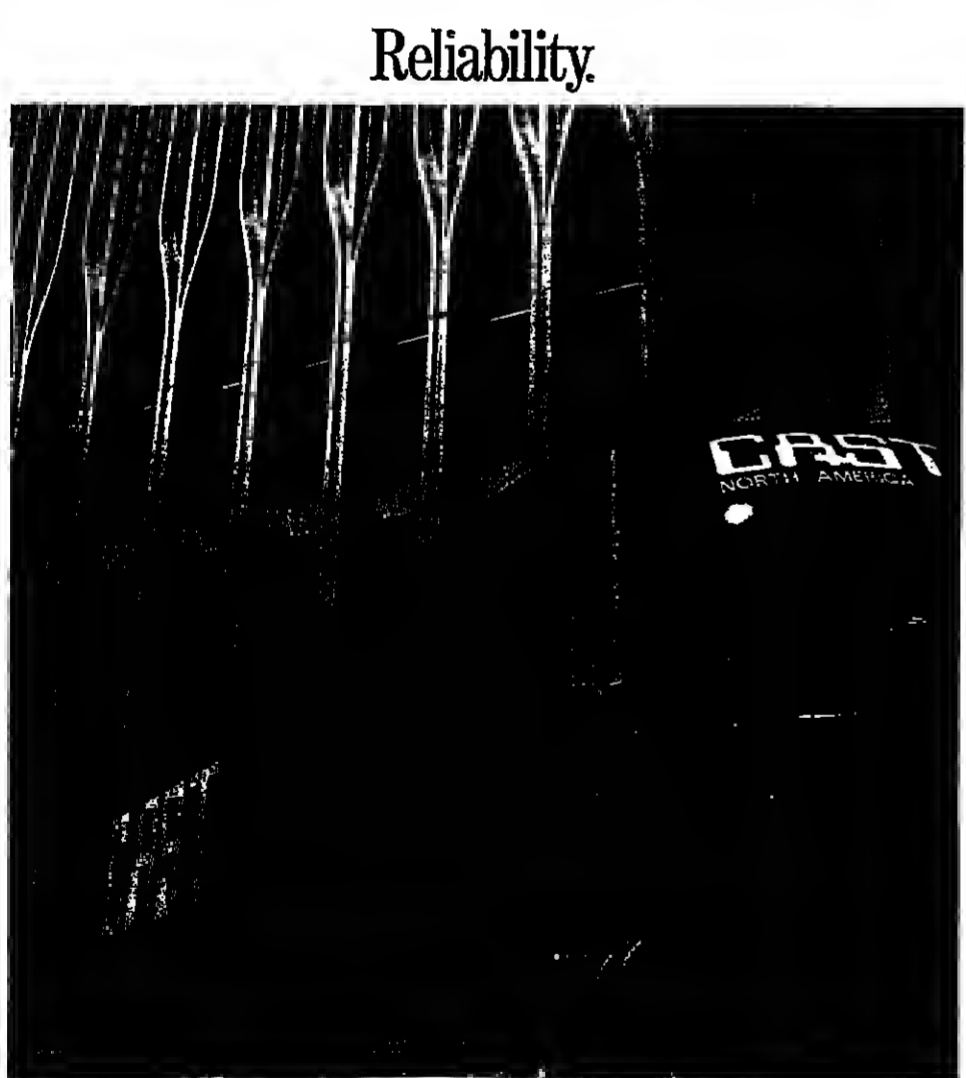
NATIONAL BANK OF CANADA SUS 100,000,000 FLOATING RATE DEPOSIT NOTES DUE APRIL 1995. For the three months, January 7, 1986 to April 6, 1986 the rate of interest has been fixed at 8 7/16 % P.A.

ROWNTREE MACKINTOSH INTERNATIONAL FINANCE B.V. £10,000,000 10 1/2 STERLING FOREIGN CURRENCY BONDS 1988. NOTICE IS HEREBY GIVEN that in respect of the mandatory redemption instalment due for 15th February, 1986, Bonds in an aggregate principal amount of £709,000 have been met by purchase in the market to the nominal value of £619,000 and by drawing of Bonds to the nominal value of £90,000.

CLAL FINANCE N.V. (Incorporated with limited liability in the Netherlands Antilles) U.S.\$12,000,000 GUARANTEED FLOATING RATE NOTES 1990. Payment of principal and interest unconditionally and irrevocably guaranteed by CLAL (ISRAEL) LTD.

KOREA GROWTH TRUST International Depository Receipts evidencing Beneficial Certificates representing 1,000,000 Shares of the Korea Growth Trust. NOTICE IS HEREBY GIVEN that the Korea Growth Trust has declared a Dividend of \$0.05 per share on the basis of 1,000,000 Shares payable on January 27, 1986.

SOCIETE CENTRALE DE BANQUE SUS 50,000,000 FLOATING RATE NOTES DUE 1995. For the six months, January 3, 1986 to July 2, 1986, the rate of interest has been fixed at 8 1/8 % P.A.



Reliability. One reason why Cast has become the leading door-to-door container operator on the North Atlantic.



The Blue Box System of Container Shipping

European Ferries Group Plc (CDFs) advertisement with logo and text: The undersigned announces that the Rules of the Concessionary Car Ferry Fare Scheme with the adjusted discounts for 1986 are available at its office in Amsterdam.

AMSTERDAM DEPOSITORY COMPANY N.V. advertisement: The undersigned announces that the Rules of the Concessionary Car Ferry Fare Scheme with the adjusted discounts for 1986 are available at its office in Amsterdam.

National Westminster Bank PLC Notice to Preference Shareholders. Notice is hereby given that a dividend of 2.45p per share for the half-year ended 31 December 1985 will be paid on 29 February 1986 to the holders of the Cumulative Preference Shares registered in the books of the Company at the close of business on 6 February 1986.

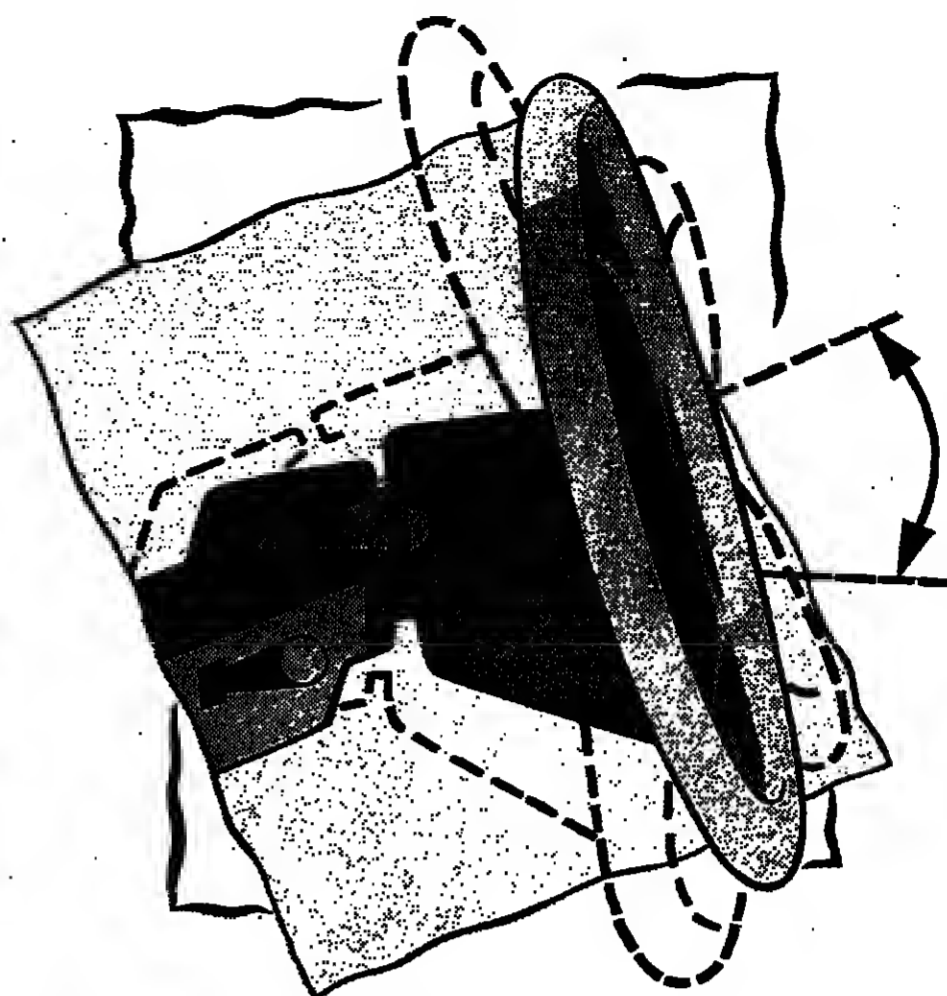
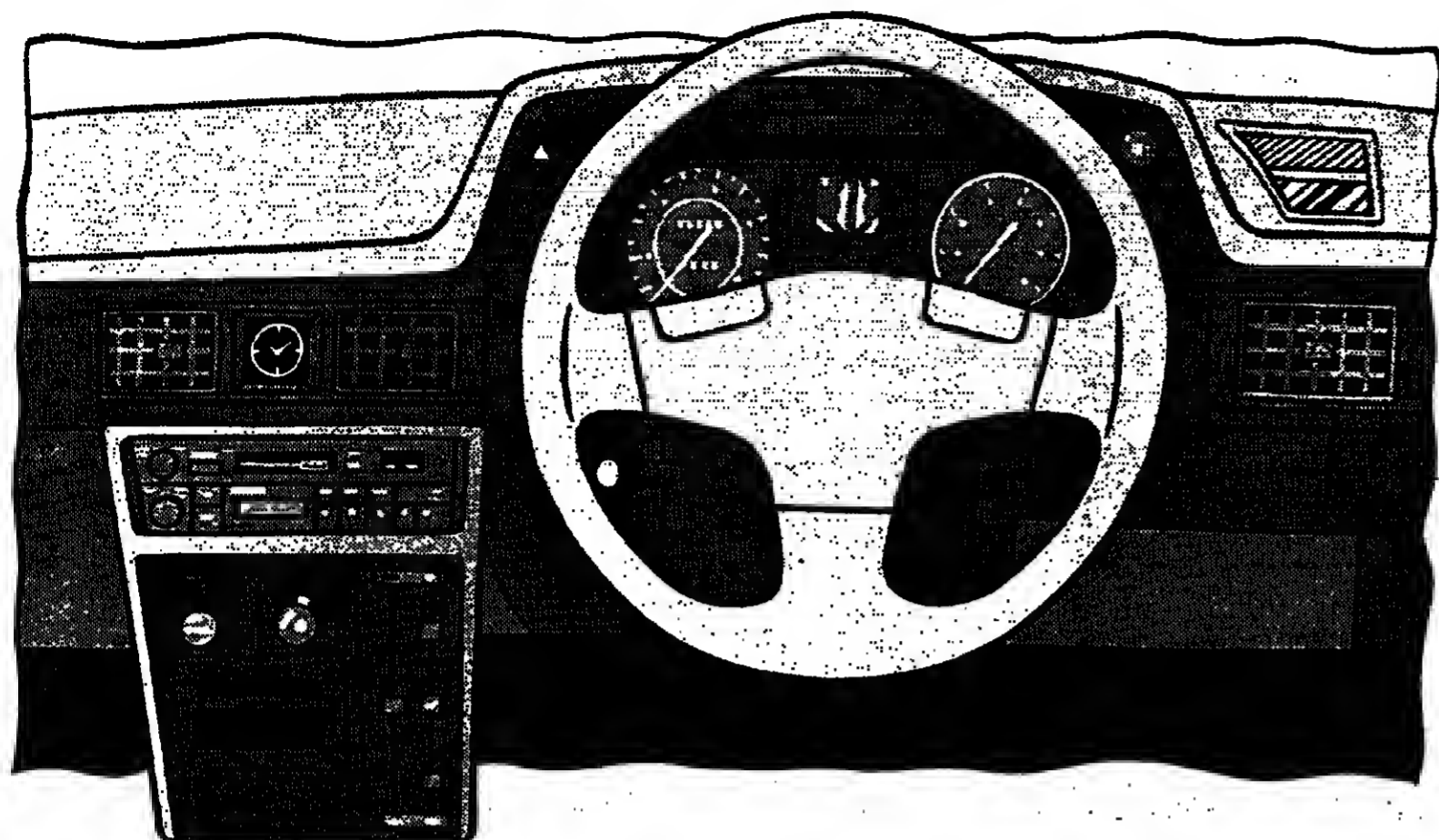
Motor Cars GRUP PCI GET UP TO 30% DISCOUNT ON NEW CARS. Just look at these on the road examples: BMW 318i 2 door £7,500 Renault 25 GT £8,450 Opel Kadett GTE £6,320 Renault 25 CTS £7,500 Opel Manta GTE Hatch £6,150 Mazda 626 GLX Hatch £6,300 Mercedes Benz 190 E £10,550 BMW 320i 2 door £8,320

Residential Property Rentals advertisement: STANBROOK - Luxurious fully fitted 3 bed, both sets with superb views, large garden, swimming pool, all appliances, Gas C.I., parking space, central heating, £120,000. DON'T COMPARE WEEKDAYS - Day in the Docklands, Bedroom & Sh. rm. £250 p. month. 01-232 0507 weekdays.

Vauxhall announce a more elegant way to travel. Belmont Class.



DO B
13-1500
NEW CAR



Do you ever hanker for those bygone days of travel?

The days when a Grand Tour meant more than "If it's Tuesday it must be Rome"?

Then allow us to introduce you to the Belmont.

A rather stylish new saloon car from Vauxhall.

The moment you enter the Belmont you'll notice its high level of appointments.

The seats are superbly upholstered and, in the front, easily adjustable.

The seatbelts can be individually altered for height and driving position.

And there's a 4-speaker Philips stereo radio/cassette player.

Of course, should you decide to push the boat out with the GLS trim, you'll find even more in store.

Centralised door locking. A sliding and tilting glass sunroof. Electrically operated and heated door mirrors.

Even a steering wheel that can be adjusted for the most comfortable angle.

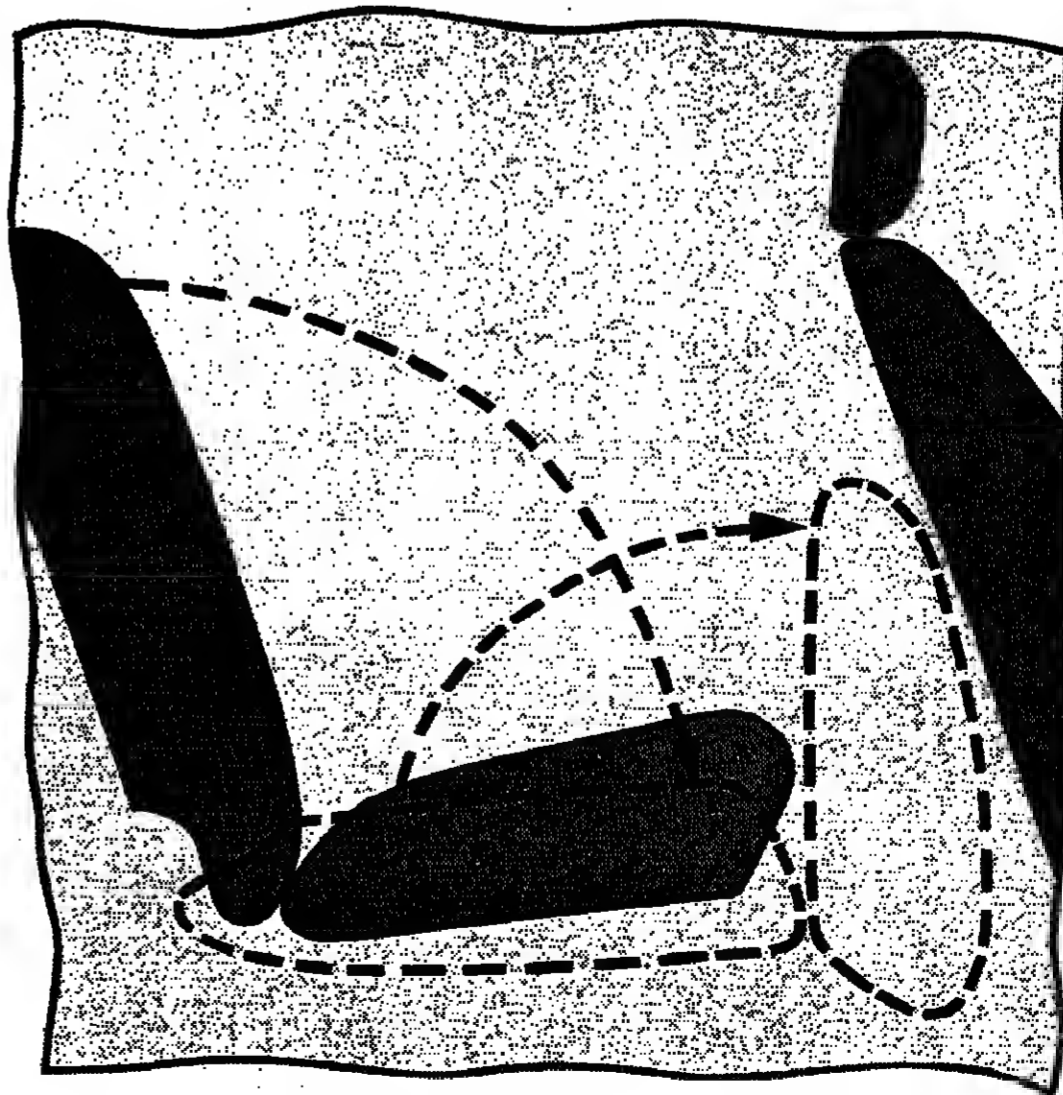
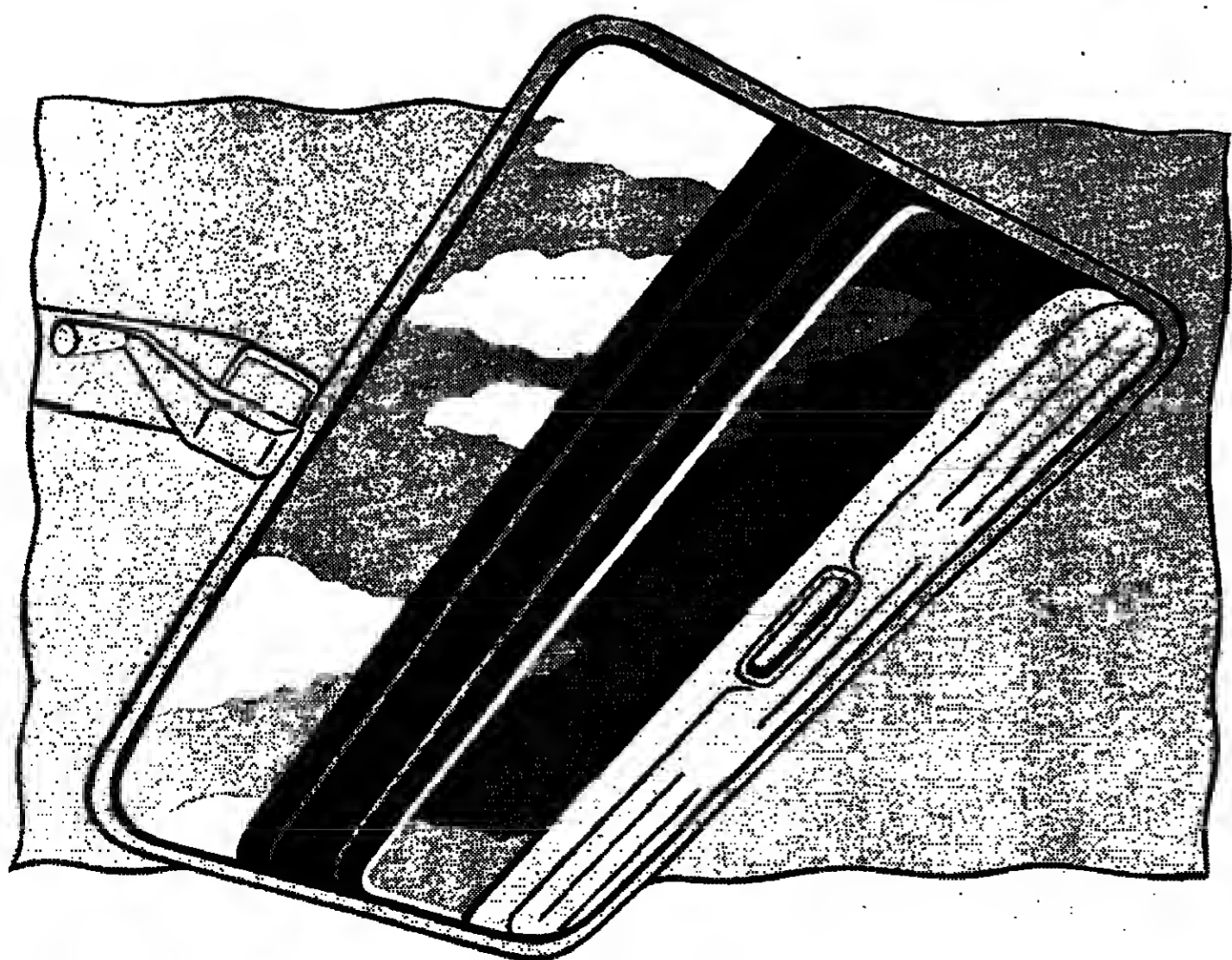
But in any form, the Belmont's pièce de résistance is its boot.

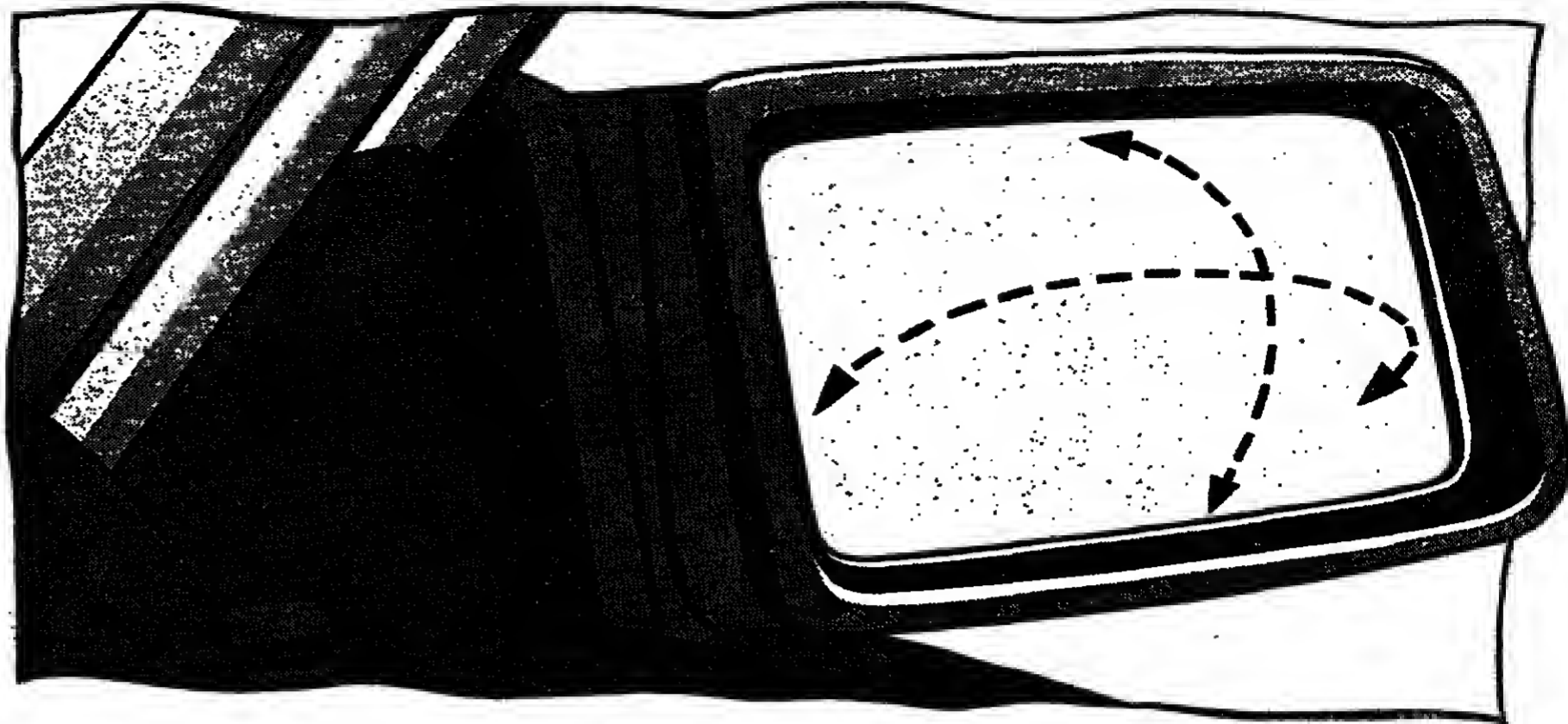
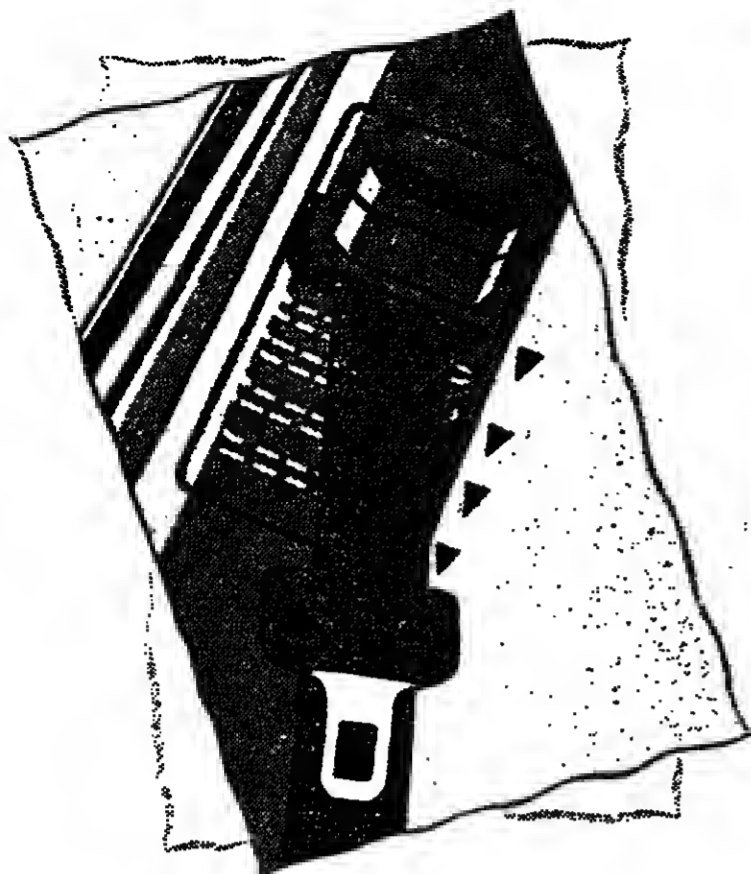
The largest in its class, it boasts a capacity of 19.4 cu. ft., easily accessible thanks to a low loading lip.

And thanks to the 60/40 split folding rear seats, you can carry rear passengers at the same time as transporting lengthy or unwieldy loads.

Laden or unladen, the Belmont, like the Blue Riband liners of yesteryear, combines an uncommon level of comfort with a rare turn of speed.

Consider the GLSi, for example.





Its smooth streamlined coachwork has a class-beating drag factor of just 0.32.

Which helps it steam to an impressive top speed of 124mph.

Yet it manages to return a creditable 55mpg when cruising along at a steady 56mph.

As you would expect with such an aerodynamic shape, wind noise is kept to a minimum.

Whilst the car's remarkably refined suspension and low profile tyres mean it can negotiate the twistiest Alpine road or Route Départementale with an unruffled grace.

The Belmont is available with a wide

choice of cabins. Seven in all. With three trim levels and four engine variants.

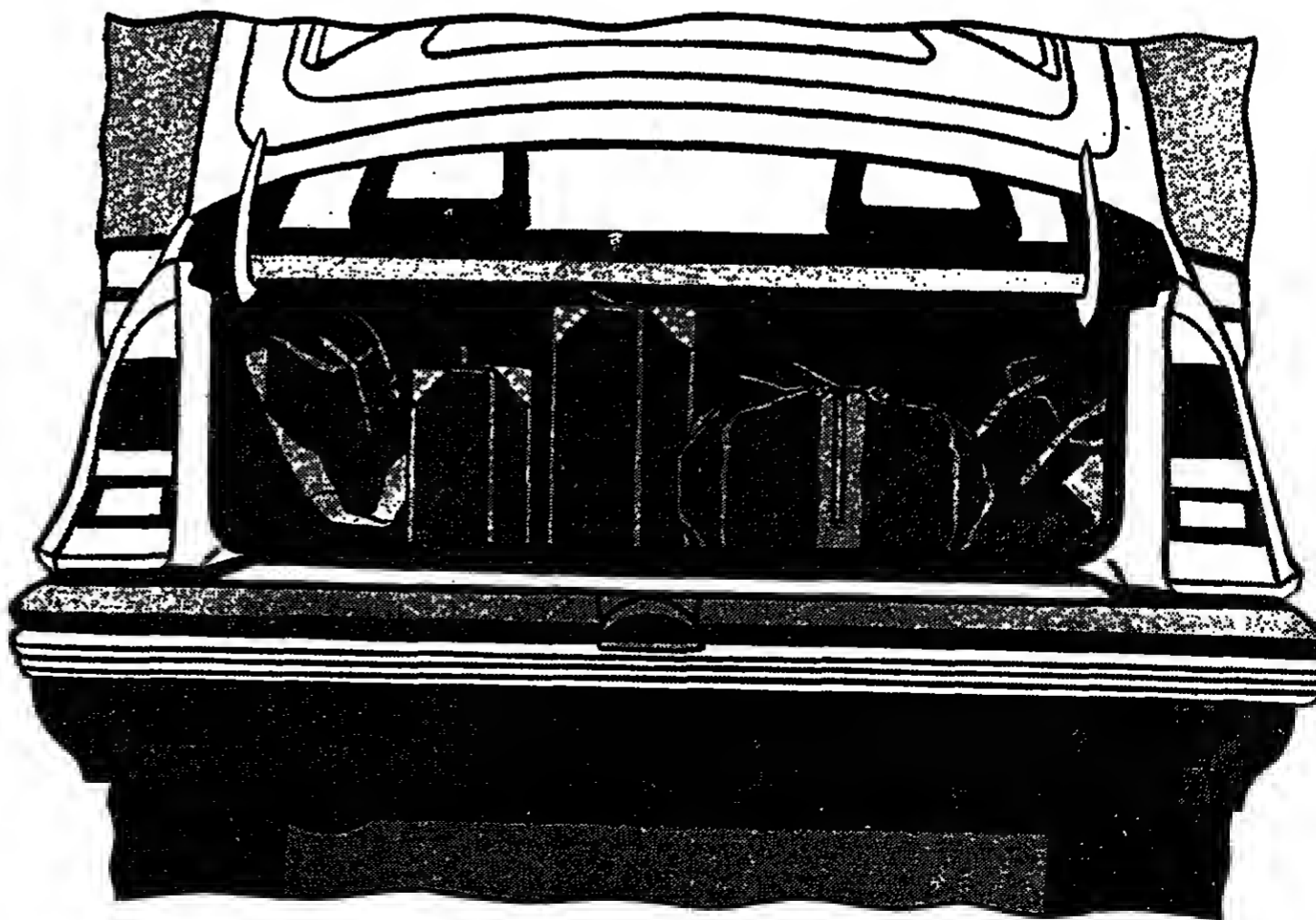
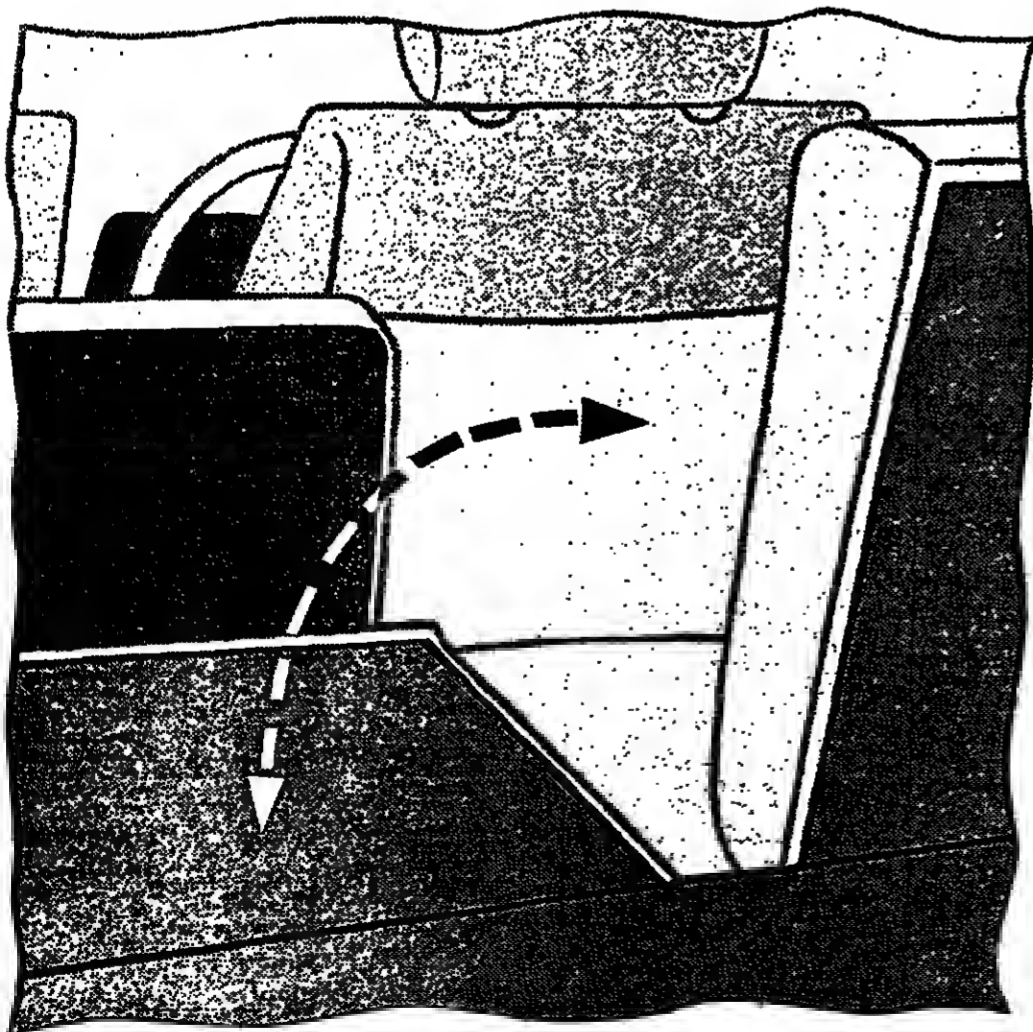
Right now, you'll find the Belmont berthed at your local Vauxhall-Opel dealer.

Why not book yourself a maiden voyage?



The new Vauxhall Belmont.
From £6,210 to £8,095.

B E T T E R . B Y D E S I G N .



FINANCIAL TIMES

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Wednesday January 15 1986

A case of bad judgment

THE MOST plausible charge against the Thatcher Government over the Westland affair—which it will have to answer in today's House of Commons debate—is one of incompetence and poor judgment, rather than constitutional impropriety.

It is important to be clear about the ultimate source of the Government's problems. With hindsight it can be seen that the fatal error was to have encouraged Mr Michael Heseltine, in the autumn, to look for an all-European alternative to the proposed Sikorsky-Fiat rescue offer. Even acknowledgement of a Cabinet in Mr Heseltine's quest implied a degree of unease about the Sikorsky proposal. Once the European counter-offer materialised, coupled with promises from the defence ministers of four countries about future helicopter purchases, a posture of neutrality became extremely difficult to maintain. It was all very well to argue that the ultimate decision was for the management and shareholders of the company, but the fact was that one offer had the prestige of the British Secretary of State for Defence attached to it, the other did not.

If the European offer had been an independent initiative on the part of one or more of the continental helicopter companies, unprompted by governments, the situation would have been very different. As it was, the rival scheme was largely created by Mr Heseltine: it is highly unlikely that British Aerospace or GEC would have joined the European consortium had it not been for his persuasion. Once Mr Heseltine had the European bid firmly between his teeth and began promoting the counter-offer with his usual energy, other members of the Cabinet became distinctly uncomfortable, but they had only themselves to blame.

Motives

The embarrassment of Ministers was all the greater for three other reasons. First, it was clear that the management of the Sikorsky-Fiat deal had serious doubts about the commercial attractions of the European deal; Conservative cabinets do not like over-riding the commercial self-interest of a particular company unless there are overriding public reasons for doing so. There were good grounds for believing that the partnership with Sikorsky, coming after many years of association between the two companies, was a more natural arrangement than one likely to achieve a viable business than the five-company European scheme. Indeed, it could be argued in purely national terms that a stronger helicopter-making capacity would be retained in the UK under the Sikorsky plan, since the American company would have an interest in maintaining a large European presence, than under the rival scheme; the three continental companies would have no interest in building up a competitor to themselves.

Second, the motives of some of the European consortium members looked suspect from a British point of view. The three helicopter companies, especially the French and Germans, were particularly concerned to frustrate an attempt by their largest American rival to establish itself firmly in Europe; the driving force was more anti-Sikorsky than pro-Westland. Similarly, the suppliers of avionics and sub-systems, like GEC, feared a possible loss of orders if a Sikorsky-influenced Westland chose to place its business elsewhere. There was, in short, a considerable element of protectionism in the European offer reinforced by the apparent intention of defence ministers to place their helicopter orders in a non-competitive way with four collaborating companies. Here again, Ministers had not thought through the implications of what they were letting themselves in for.

Third, Ministers, especially Mr Leon Brittan, Trade and Industry Secretary, became increasingly concerned at the blatantly anti-American sentiments expressed by some of the promoters of the European consortium. It was this point, apparently, which Mr Brittan stressed in his conversation with representatives of British Aerospace last week.

One cannot blame all this on the fact that, when faced by financial problems in one of its defence contractors, the Government has to decide between a hands-off and a hands-on policy, steering a mid-way path is asking for trouble. Sections of the cabinet, perhaps a majority did not share Mr Heseltine's vision of Westland as a test case of European defence collaboration, nor did they see much merit in his industrial and political arguments for intervention on the side of the European offer. But the issue was never satisfactorily argued out so that an agreed position could be established. It was a chapter of accidents and misjudgments which the Prime Minister should do his best to explain in today's debate.

Wages, taxes and jobs

THE Confederation of British Industry does not want to raise the standard rate of income tax this year. It has even deferred its often-repeated request for a cut in employers' social charges. Instead, it wants a package of measures costing about £1bn, and a sizeable real increase in personal tax allowances, to give the maximum benefit and working incentives at the bottom end of the wage scale. It is not, of course, at this stage campaigning for its own radical proposals for a move towards an expenditure tax which have yet to be put to its own members.

This restrained set of proposals not only confirms that we are in a new era of realism from the CBI, which used routinely to ask for the moon, but that there is a growing sense of responsibility. The employers acknowledge in so many words that competitiveness is largely up to them to achieve, and admit implicitly that since they have given dangerously much at the bargaining table, there is no economic case for any general tax concession to earners this year. This further implies that the reductions in taxes and interest rates which they still favour in the long term will be justified when—and only when—a more moderate wage trend has been established.

EEC strategy

This is a line of reasoning which should appeal strongly to the Chancellor in his economic role, though it may well not match the Government's political priorities. As a strategy of combined restraint and job creation, keeping some fiscal powder dry to boost demand should the growth of real incomes slow down, it looks to the medium term. Indeed, the one important question which arises is whether it goes far enough.

It is revealing to compare the CBI's approach with the strategy proposed by the European Commission in its recent annual economic review. This puts the issue of wages and taxation not in the context of competitiveness, which is a

THE MUCH admired social contract between West German trade unions and management, which underpinned the country's post-war recovery and delivered some of the highest wages in the world to West German workers, is coming under unprecedented pressure.

Among recent developments, employers are resisting fiercely and successfully, union efforts to secure a greater say in investment in new technology and in management. The Government is threatening to roll back hard-won union gains at shop-floor and board levels. And both employers and government have combined in the last few months to launch a powerful assault on the country's liberal strike laws.

In short, the unions in Germany appear to be on the defensive. They are losing members—100,000 last year alone in the biggest umbrella today—the DGB—financial scandals have eaten away at their credibility and they have been unable to take advantage, in wage deals, of a sharp recovery in corporate profits since Chancellor Kohl's conservative coalition came to power three years ago. Despite having won representation on company boards, unions have also been weakened by thousands of industrial redundancies which have led to the country's highest post-war unemployment rate last year.

The strain on the unions is beginning to show. Last month, West German workers disrupted work in pursuit of a political and not a financial goal. Around 1m people are estimated to have shown up for work in order to demonstrate against proposed changes in the strike laws.

Political strikes are unconstitutional in West Germany, demonstrations are not but union leaders have not bothered to disguise the colour of the actions. "Obviously you can't demonstrate and work at the same time," says Hans-Joachim Steinkueller, deputy president of Western Europe's biggest union, the I.G. Metall. But the protests, accompanied by threats of a long war with the Government, are as much a show of fear as they are of bravado.

For the unions, the crisis has been a long time coming. One school of thought here argues that the collapse of Chancellor Helmut Schmidt's Social Democratic (SPD) and Liberal (FDP) coalition in late 1982, and the installation in Bonn of another coalition more sympathetic to business has proved cataclysmic. Another school, not unsympathetic to the unions, traces the movement's current back direction back to the mid-1970s, when the Schmidt Government passed what was then thought to be revolutionary legislation, greatly extending union representation on corporate supervisory boards.

The unions had drawn closer to management, the argument goes, without being guaranteed full parity and had effectively surrendered their independence. Where once they could have fought redundancies, now they are partly responsible for them.

The unions face a serious dilemma. Their leaders insist that their only way forward is to press for more co-determination on company boards. But it would be a slow process and, under this Government, possibly a hopeless task. Rising unemployment, meanwhile, has left the unions trapped between wanting more representation and feeling they

workers called out but that a strict application of the law meant that the Federal Labour Authority in Nuremberg would have to pay benefit to workers laid off in plants indirectly affected by the strike. The authority refused to pay at first, but was eventually forced to by the courts. The union strategy cost the authority DM 300m.

Mr Elmar Kolb, a Christian Democrat (CDU) MP and a leading small business lobbyist. "Our wage contracts have always been dictated by the big players (including big business)," he says, "but when the small can't pay their wages any more they go bankrupt. Big business simply screams for subsidies."

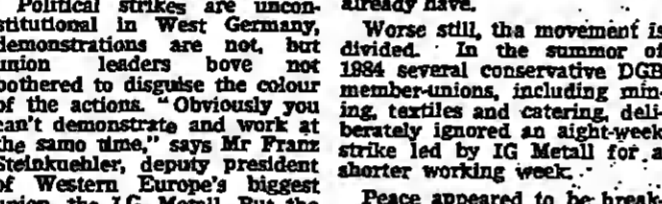
change in the law Chancellor Kohl's big test is to persuade the "social" or consensus wing of his party not to vote against it and thus deny the government a majority on the issue in parliament. This should not be difficult. His Labour Minister, Mr Norbert Blum, though still a card-carrying member of I.G. Metall, comes from the left of the CDU and it was, after all, Mr Blum's draft that the Cabinet approved. Some powerful employers, probably intent on stiffening Mr Kohl's resolve, have begun to complain that the proposals do not go far enough.

Almost every leader in the DGB, including its vice-president, Mr Gustav Ferenbach, a member of Chancellor Kohl's CDU, has warned that a change in the strike law would represent a fundamental attack on trade union rights. More extreme threats have likened the action to Nazi treatment of unions in the 1930s and warned of "offices and factories standing empty throughout the land"—the latter from I.G. Metall—should parliament pass the law.

The DGB could have walked away from this particular fight, even though it might have meant that certain kinds of strike would have to be wholly funded by the unions concerned.

DGB membership has fallen by more than 200,000 to 7.5m since the Kohl coalition came to power. Recruitment, particularly among educated white-collar workers has fallen drastically. Some 7m West German white-collar workers are not organised in trade unions and a poll conducted in late 1984 showed that fewer than one in 10 would even consider joining one if approached. Grass-root suspicion about the role trade unions play in modern West Germany can also not have been soothed by a major scandal in one of the

WEST GERMANY'S INDUSTRIAL CONSENSUS



Chancellor Kohl (left), Ernst Brett and Franz Steinkueller

The strains are beginning to tell

By Peter Bruce in Bonn

WEST GERMAN employees have long enjoyed a statutory right to a say in the way their enterprises are run. There are two main laws, the origins of which date back almost to the country's formation in 1949. They have been revised and extended over the years, writes Jonathan Carr in Frankfurt.

One is the Betriebsratsgesetz (works constitution law) under which works councils can be formed officially to represent employees' interests to management in companies regularly employing more than five people. The councils have a right to co-determine matters including working hours and vacation planning.

The Mitbestimmungsgesetz (co-determination law) covers the composition of supervisory boards—those which group employee and shareholder representatives and which oversee the operations of the executive boards. Companies in the iron, steel and coal industries were originally the only ones to have parity co-determination (i.e. equal numbers of employee and shareholder representatives on the supervisory boards).

After fierce arguments, the system was broadly extended in a law of 1976 to all companies with more than 2,000 workers. But there was one major difference. The 1976 law gave the supervisory board's chairman (almost invariably from the shareholder side) a second, tie-breaking vote.

Ever since, the FDP, junior partners in the current coalition, and an often forgotten, though increasingly powerful political element in German industry, the Mittelstand, or small and medium-sized businesses, many of which were badly hurt during the strike, have been clamouring to close the legal loophole.

The Mittelstand now has a Government lobby of more than 150 MPs, many of which are in the coalition, and along with the major employers' associations, it has smelted union blood on the strike issue. "If we don't do it now then we never will," says

Government MPs have been trying very hard to present their proposed changes to the strike rules—which would make it impossible for members of a union to be paid benefit by the state if they were laid off because of a strike by their union in another part of the country—as little more than a clarification of the law's intent. Indeed many senior industrialists dismiss suggestions that German industrial consensus is threatened by the strike law dispute. But fire in the eyes of some MPs in the Mittelstand business lobby belies that.

Now that he has opted for a

Men and Matters

British CBS seems certain to achieve a much higher profile. Indeed, Kay's talent for publicity is on well-developed that existing LBS luminaries such as Alan Budd, the macroeconomist, may be overshadowed by the newcomer.

One who became a fellow of St John's College, Oxford, and the absurdly young age of 21, has transformed the IFS in his seven years as director. Back in 1978, the institute was relatively obscure and had only two employees.

Now it has a full-time staff of 15 and arguably knows more about the tax and benefit system than either the Treasury or the DESS. Its reports on a wide range of topics besides tax—such as state pensions and competition policy—get heavy media coverage.

Kay says his main interest has always been the application of microeconomics. Having spent seven years looking at

public sector issues, he intends at CBS to focus on private sector problems and build up substantial expertise in various industrial sectors.

The LBS job will be combined with a move into private business consultancy; Kay is hoping to set up a joint venture with a well-known company or professional firm.

Nick Morris, IFS deputy director, is also leaving to help Kay establish the new consultancy.

Slant-wise

The English edition of a tourist guide to Pisa makes this brave tilt at explaining why its famous tower leans.

Although it can be considered a real masterpiece of architecture, this monument is mostly famous for its strong inclination.

"Regarding this inclination it can be safely stated that it is undoubtedly (sic) due to a sinking of the ground right from the time of its construction. Therefore for those who desire to imagine that great tower was intentionally built inclined, this assumption is entirely without foundation."

Shop floor

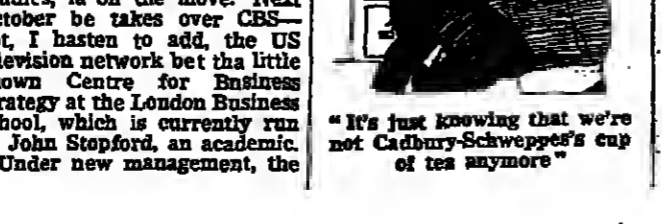
Annual general meetings are traditional occasions for company chairmen to boast about what they are doing to improve business. But few, if any, offer shareholders an immediate tour of the shop floor to see for themselves.

Ralph Halpern did just that yesterday.—inviting Burton shareholders to a packed gym at London's Grosvenor House hotel, to join him on an afternoon tour of the group's West End shops.

About 150 people piled into four coaches for the trip, with Halpern giving an enthusiastic

Less taxing

John Kay, the youthful director of the Institute for Fiscal Studies, is on the move. Next October he takes over CBS—not, I hasten to add, the television network but the little-known Centre for Business Strategy at the London Business School, which is currently run by John Stopford, an academic. Under new management, the



"It's just knowing that we're not Cadbury-Schweppe's cup of tea anymore"

Rate charge

The High Court was quite overwhelmed yesterday by the variety of interest shown in the case of the Liverpool and Lambeth councillors surcharged for failing to fix a legal rate.

In addition to the score of lawyers occupying four rows of seats in the well of Court No 7, places had to be found for the 80 or so councillors anxious to attend the hearing. That left only four seats for reporters—which led to several interruptions.

To relieve the crush, harassed officials opened the court's public gallery, closed for security reasons since the IRA bomb attacks in London in the mid-1970s.

Shortly after the hearing started, an elderly woman in the gallery had a heart attack and proceedings were adjourned while she was carried out to an ambulance.

Others trying to leave the court found the doors locked: those who did manage to get out found themselves faced by suspicious policemen demanding passes when they tried to return.

High living

A dinner at Blenheim Palace convinced Keizo Saji, head of the Suntory whisky dynasty, that the time had come for Japan to restate its economy.

The dinner, he told the UK-Japan 2000 group, had been a "very strong experience" of the "huge gap in the standard of living between Britain and Japan" and Japan should take the necessary steps to put it right.

Notice of Redemption to the Holders of Consolidated-Bathurst Inc.

Car\$40,000,000 17 1/4% Series J Debentures due 1987

NOTICE IS HEREBY GIVEN that pursuant to the provisions of the Trust Deed of Hypothec, Mortgage and Pledge and the Deed of Trust and Mortgage both dated December 1, 1985 between Consolidated-Bathurst Inc. (the "Company") and Montreal Trust Company, as trustee, as shown supplemented from time to time including the Supplemental Trust Deed dated February 18, 1982 (collectively the "Trust Deed"), the Company intends to redeem all its outstanding 17 1/4% Series J Debentures in full on February 20, 1986 at the redemption price of 100 per cent of the principal amount thereof (the "Redemption Price").

Pursuant to the Trust Deed the Series J Debentures will become due and payable on February 20, 1986 at the Redemption Price and holders are accordingly required to surrender their Series J Debentures together with coupons maturing on February 20, 1987 for payment of the Redemption Price at the offices of any of the paying agents listed below.

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January 15, 1986.

CONSOLIDATED-BATHURST INC.
J. M. Dawson
Secretary

running commentary in the leading coach.

There was a stop at the new Top Shop/Top Man trendy development at Oxford Circus; a trot around Debenhams, the store acquired after a bitter takeover battle last August; and the fortress tourists were finally treated to tea at Harvey Nichols in Knightsbridge.

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Observer

DGB's biggest business operations, the Neue Heimat property group, which in order to get its DM 5bn debt under some form of control is now selling off thousands of apartments, many in deprived areas where the present tenants cannot afford to buy. Neue Heimat was established not long after the war to provide homes for trade unionists.

The DGB is unlikely to get anywhere with its demands for worker parity on supervisory boards under the Kohl Government. The modest representation the unions already have in the face of corporate hostility and executives today regard with barely disguised contempt the prospect of trade unionists approving the appointment of senior managing executives or of having a final, or at least decisive, say in the appropriation of annual dividends.

Both industry and Government have also scoffed at union demands for a greater say in corporate investment in technology, despite determined efforts by the DGB to make an issue of it by arguing that the very fear of new technology taking away jobs affects productivity. The West German motor, mechanical engineering, electrical and chemical industries, for the most part enjoying high profits, do not seem to have noticed.

Mitbestimmung is of its most potent in the Betriebsrat, or works council, which in theory is consulted about all matters regarding personnel. There is no doubt, however, that the works councils are often bypassed, not least because they are a great source of corporate leaks. Now, the Government is slowly preparing legislation which could seriously threaten the domination of these councils by established unions.

Charging that current nematode procedures militate against minorities in works council elections, the Government intends reforming the laws governing such polls and sharply increasing the electoral chances of non-unionised labour, or even members of smaller organised groups, such as the pro-CDU Federation of German Trade Unions (DGB). There is very little the DGB can do to stop it.

In another subtle attack on DGB monopoly, the FDP, once again, is trying to secure a separate place in works councils for "senior" white-collar workers. The FDP regards such people as its natural constituents but the proposals have come under almost as much attack from industry as they have from its DGB. The defence is split, though.

This year promises to be something of a watershed for organised labour in West Germany. A win over changes to the strike law would be important, but not as important as a loss. It is possible that in order to drive home their protest against the changes, the issue might, with a little pushing and shoving, spill over into this year's annual wage negotiations.

Pay claims this year concentrate mainly on wages— a rough average claim is 5 per cent, but with some inflation— leaving little room for compromise on anything else and the Government and employers may simply decide to buy silence, or acquiescence, on strikes laws and co-determination. There is evidence yet to suggest that they plan to do that, however. The unions may just be ripe for the picking.

LAST NOVEMBER a computer at the Bank of New York...

Normally BONY takes securities from one bank...

Fortunately, BONY was able to straighten itself out...

The lesson was learnt not just in New York, but in London...

UK gilts market



The backroom gets ready for Big Bang

By David Lascelles, Banking Correspondent

and the London institutions have drawn heavily on the US...

have good controls, and that they install efficient and secure computer systems...

between £25,000 and £40,000 to create a dealer position...

computerised so that dealers will be able to buy—and pay...

Another problem is that City groups do not know exactly what they are planning for...

Officials at the Bank of England, which will be responsible for smooth running...

In one major respect, the City will differ from Wall Street...

The new electronic clearing system installed by the banks...

On January 2, the CGO took its first steps towards electronic clearing...

UK water privatisation

White Paper sets sail for forked rivers

By David Kinnersley

THE spirit of the Government's planning for more privatisation...

First, Ministers find it awkward that private water companies already exist...

Secondly, some privatisation is generally seen for the utilities as reversing an earlier nationalisation process...

their behalf. Most obvious of all to users, water authorities get most of their income from...

It is no use Ministers asserting that, because this middle has survived acceptably...

The third main issue is the most difficult and important of all, for constitutional and practical reasons...

has an operational side as well, carrying out land drainage and flood protection...

Clearly the "golden share" device, intended to resist ownership marauders...

Even getting Whitehall off the industry's back may be an illusion...

Occupying the hot seat

From Mr M. Lewis Sir: The last paragraph in Peter Riddell's article...

Minutes of meetings

From Mr G. Sharp Sir: Mr G. Sharp's article on the "Irresistible force at No 10"...

A sledgehammer as a remedy

From Mr J. Rodd Sir: So now we have it—that remedy for all City ills—the Financial Services Bill...

Letters to the Editor

Building societies insist that only exceptionally, and with written consent...

Avoidance of some part of one's income tax liability (the sacred cow of politicians...

Investment projects From the Chairman, British Airports Authority...

Finance for a deal From Sir John Mallebar Sir: I have followed with interest the Westland developments...

Abolish capital gains tax

From Mr L. Littman Sir: In the run-up to the Budget, it seems appropriate to draw attention once more to the anomaly of capital gains tax...

Investment projects From the Chairman, British Airports Authority...

Finance for a deal From Sir John Mallebar Sir: I have followed with interest the Westland developments...

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The truth about car telephones

The recent mobile communications revolution has resulted in a new range of products...

WHO BENEFITS FROM NATIONAL RADIOFONE? From Allied Carphones and Arthur Cooper...

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Giscard sees reduced role for Mitterrand

MR VALÉRY GISCARD d'Estaing, the former French president, said yesterday that President François Mitterrand should cease representing France at European summits if the opposition won the forthcoming parliamentary elections, writes David Housego in Paris.

Elections for the National Assembly are due on March 16 and according to most opinion polls, President Mitterrand's Socialist Party is expected to lose its majority. That would leave Mr Mitterrand with the prospect of governing as president and head of state even though he did not command a majority in the National Assembly and would have to contend with a right-wing, moderate or non-socialist prime minister.

Mr Giscard d'Estaing is one of a number of opposition figures named as a possible prime minister.

The former president, speaking at a press conference that nationally opens the election campaign for the National Assembly, said that

the European summit was a gathering of heads of government and not heads of state. He said he decided, when president in 1978, that if the Socialists and Communists had won the parliamentary elections of that year, he would no longer have attended European summits on behalf of France.

But Mr Giscard d'Estaing left open the possibility of Mr Mitterrand's attending meetings of heads of state, such as the Franco-African summit.

Mr Giscard d'Estaing was categorical that Mr Mitterrand could not be forced to resign, but equally he would not have the powers to prevent the opposition from carrying out its programme.

He gave a warning, however, that the most dangerous situation would be if the parliamentary right - the neo-Gaullist RPR party and the centrist UDP - did not have a "clear and unambiguous majority" in March. He said that France would then be "ungovernable" and that

the National Assembly would be dissolved within two years.

The former president said that after the elections, the new government would have to seek a vote of confidence before the National Assembly in the first days of April. It was that vote, he said, that limited whom Mr Mitterrand could choose as prime minister.

The new government should immediately abolish proportional representation, which was introduced by the Socialists and under which the March parliamentary elections are to be held. It should be replaced, according to the former president, by the former system of single-consistency majority voting.

Mr Giscard d'Estaing also advocated the new government's bringing in a constitutional amendment that would shorten the president's term of office - currently seven years - and that should be put to a referendum.

Mr Giscard d'Estaing's comments put him at odds with Mr Raymond

Barre, his former prime minister, who is demanding that Mr Mitterrand resign if the opposition wins handsomely in the coming elections.

In Mr Mitterrand's view, the only real power the president will have after March is right to dissolve the National Assembly, but Mr Giscard d'Estaing says that the President's powers over legislation are limited to a delaying power of 15 days.

Mr Giscard d'Estaing judged it important that President Mitterrand should complete his seven-year term of office, saying it had been his intention as president to complete his term if the left had won in 1978. He said that France needed to show that it was a major country that could respect the rules laid down in its constitution and face up to realities even if they were difficult. He made a comparison with the US, saying that a change of majority in the US Senate would in no way call into question President Reagan's authority.

University head for Lloyd's inquiry

By Peter Hiddell, Political Editor, London

SIR PATRICK NEILL, the Vice-Chancellor of Oxford University, will lead the government inquiry into the regulation of the Lloyd's, the London insurance market.

Mr Leon Brittan, the UK Trade and Industry Secretary, announced Sir Patrick's appointment during the House of Commons debate yesterday on the second reading of the Financial Services Bill, which will set up a new regulatory system for City of London financial markets but which excludes Lloyd's.

Sir Patrick, currently Warden of All Souls and a distinguished lawyer, was the Chairman of the Council for the Securities Industry from 1978 to 1985. That was an early attempt to create a City-wide supervisory body based on self-regulation, which has been criticised for making little impact.

British Steel and GKN agree on engineering steels venture

By IAN RODGER IN LONDON

BRITISH STEEL and Guest Keen and Nettlefolds have finally agreed, after six years of on-and-off negotiations, to merge their engineering steels and GKN's forging business in a joint venture with operating assets of about £400m (\$570m), annual sales of £600m and a combined workforce of 11,000.

The new company, to be called United Engineering Steels, will be the only leading UK producer of many steels used in the automotive and engineering industries. It will begin trading on April 1.

Mr John Pennington, managing director of BSC's special steels division and the first chief executive of UES, said yesterday no plant closures were planned in the short term. However, the new company would be seeking to rationalise its two rolling mills in the West Midlands, where a total of 300 people are employed. Last year, BSC closed its Tinsley Park works in Sheffield with the loss of 800 jobs as a prelude to the deal.

Discussions aimed at rationalising the UK engineering steel sector and creating a single producer began in 1980 when it became appar-

ent that the automotive and other customer industries were unlikely to recover soon.

Of the five producers in the original project, then called Phoenix II, three - Dupont, Round Oak Steel Works and the Hatfield subsidiary of Lonrho - had to abandon the overworked sector before an agreement could be reached.

Even BSC and GKN between them had immense difficulty in reconciling their interests. Although GKN's output was much smaller than BSC's, it controlled a substantial portion of the end markets through its forging subsidiaries.

BSC is contributing 58 per cent of the assets to UES and GKN the rest. But, as in some previous joint ventures with private-sector companies in which BSC has been involved, GKN will have 50 per cent of the voting shares. That has been agreed to prevent BSC from dominating the venture and to enable the Government to claim that the business has been privatised.

The Government has approved the subscription by BSC of £55m for preference shares and loan stock to

enable UES to begin some long delayed capital investment projects, particularly in continuous casting facilities.

GKN's steel and forging businesses made a trading profit of £4m in the first half of 1985, while BSC's operations were at about the breakeven point after heavy losses in 1984. Mr Pennington said UES would begin life in profit and be well confident that it would not lose market shares.

Mr Peter Morrison, the junior industry minister, said it was the Government's intention that UES would meet all future financial requirements without further recourse to public-sector finance or guarantees.

GKN said it would receive about £163m for assets transferred to UES, which represented a slight premium on the worth attributed to them in its accounts. No borrowings were being transferred to UES. The important thing, the company said, was that it could invest more capital in higher-return businesses now that it no longer had to invest in steel.

Flotation of Lloyd Webber musical company gets lukewarm reception

By LUCY KELLAWAY IN LONDON

THE Really Useful Group of UK composer and impresario Andrew Lloyd Webber has received a lukewarm reception from prospective investors, with the public tender offer of shares oversubscribed just one and a half times. By late last night the price had not been set, but J. Henry Schroder Waggs, the issue's sponsor, said it would be at a "decent margin" over the 330p minimum tender price, which values the group at £39.2m (\$50.6m).

The company is a vehicle for musicals written by Andrew Lloyd Webber since 1970. It also owns the rights to all music written by the

profitable and popular composer over the next seven years.

As the application lists opened yesterday morning, the number of observers was almost as great as the number of investors bidding in application forms for the new issue.

However, Mr Nigel Saxby-Soffe of Schroders denied yesterday that the response was disappointing. "We did not expect a lot of staging for a tender offer, and the market has been pretty good recently, so on balance I think the issue has been a great success," he said.

Mr Lloyd Webber will himself make a minimum of £2m from

bringing his company to market, while the flotation will place a minimum value of £13.2m on the 38 per cent that will be retained in the group.

Most of the 17,000 applications received were from private individuals, who have subscribed for shares at prices between 300p and 400p, Mr Saxby-Soffe said yesterday. The City of London is now expecting the price to be set at the bottom of that range.

"The response to the Really Useful Group compares to the massive oversubscription of Laura Ashley, the UK textiles and fashion group,

Thatcher plans counter-attack

Continued from Page 1

rather than by the new Defence Minister, Mr George Younger.

It was also being suggested, however, that this apparent attempt to change the terms of the European offer might be followed in today's Commons debate by a categorical statement from Mrs Thatcher that Britain will not longer consider itself bound by the political backing given to the European solution by December's joint resolution of the defence ministers of France, Britain, Italy and West Germany.

Political developments in the Westland affair again turned yesterday on the role of Mr Leon Brittan, the Trade and Industry Secretary, who remained in a vulnerable position after having had to apologise to the House of Commons late on Monday night for having given a misleading impression earlier in the day.

Mr Brittan had told the Commons that he was not aware of any letter from Sir Raymond Lygo (chief executive of British Aerospace) to the Government. It later became known that a letter marked "private and confidential" from Sir Austin Pearce, chairman of BAe, had been received at Downing Street. Mr Brittan had known of its existence but not of its contents.

The Trade and Industry Secretary returned to the Commons on Monday night and apologised "unreservedly" if it was thought that he had misled the House.

The issue behind the letter is whether Mr Brittan breached the Cabinet's agreement not to take sides when he met Sir Raymond Lygo, in his department last Wednesday.

Mr Heseltine has alleged that Mr Brittan warned Sir Raymond that

BAe's involvement in the European consortium was against the national interest and the company should withdraw.

Mr Brittan has denied applying any pressure on BAe, merely arguing that some of the comments made by the European consortium could fuel protectionist sentiment in the US and damage the commercial interests of BAe.

After the row on Monday about the letter from Sir Austin Pearce to the Prime Minister setting out its position, Mrs Thatcher told MPs yesterday that she was seeking permission from the company to publish. It later became known that both Sir Austin's letter and a reply from the Prime Minister would be published before this afternoon's debate.

Europe to hit back at US steel import curbs

By Paul Cheesbrough in Brussels

THE EUROPEAN COMMUNITY will shortly retaliate against US steel import restrictions by placing quotas on American sales of fertilisers, art paper and beef grease.

The quotas will be used to cut the value of such items imported into the Community by \$50m, the amount of trade the Community calculates it has lost as a result of the US decision on steel.

The Community move is a further example of the irritable commercial relations between the US and the Community. However, steps will be taken at the end of this week to reduce tension when Mr Willy de Clercq, the EEC external relations commissioner, meets Mr Clayton Yentler, the US Trade Representative, in San Diego.

This latest example of transatlantic tension came when the Reagan Administration unilaterally decided at the end of December to hold EEC sales of semi-finished steel products down to 600,000 tonnes for 1986. The EEC held that the move was unjustified and went against a new steel sales restraint agreement reached in the autumn.

Officials of the Twelve have now held two informal meetings, the latest yesterday, to decide on the nature of the retaliation. The Commission will now present formal proposals for quotas on the three products.

It is expected that the quotas might be in place within a fortnight. The decision can be taken by a qualified majority vote.

Originally, only fertilisers and art paper were considered suitable items for quotas. But in the light of Danish and Irish fertilizer imports from the US, it was decided to widen the list to include beef grease, thus lessening the burden on those two countries.

Crocker says Namibia deal still possible

By Tony Robinson in Johannesburg

DR CHESTER CROCKER, the US Assistant Secretary for African Affairs, left South Africa last night after intensive discussions with President P.W. Botha and top South African officials on Namibia and the Government's apartheid reform policies.

"The US Government continues to believe there is merit in pursuing the goal of a negotiated settlement in Namibia," Dr Crocker told a press conference before his departure.

On the related question of Cuban troop withdrawals and the civil war in Angola between Cuban-backed Angolan forces and UNITA rebels, he said he saw some possibility of change. "Both sides recognise that the military track contains risks and there is a possibility that both will stand back after the escalation of the military conflict in recent weeks," he said.

Dr Crocker side-stepped a direct question on whether he had met Dr Jonas Savimbi, the rebel UNITA leader in Zaïre, before his talks in Luanda and Cape Town by answering that he had held talks with Zaïran officials.

Dr Crocker delivered a letter to President Botha from President Ronald Reagan which covered both regional issues and the US interest in the course of internal developments.

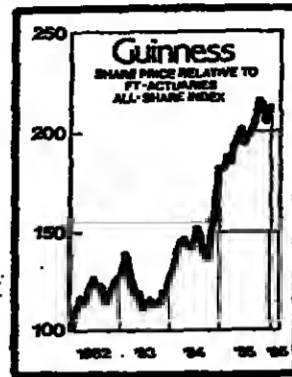
"We believe the time has come to pay attention to what South Africans think and what risks they are prepared to take," he said.

Dr Crocker said he had not been given any concrete indications of the reform proposals expected to be announced by President Botha at the opening of parliament on January 31, but added: "We've talked about the future and our hopes for a breakthrough and momentum on the return front."

THE LEX COLUMN

Loud and clear at the Bank

The Bank of England is feeling rather pleased with itself and has every reason to be. Last week it moved swiftly to endorse the base rate of 12½ per cent which was being anticipated by the money market yesterday. It acted with equal decisiveness to prevent local difficulties in the Cabinet from pushing up the cost of home loans. In both cases, the Bank took a deliberately high profile and succeeded in restoring a semblance of order to a confused market.



The Bank may yet have to concede a higher base rate - even after yesterday's unambiguous message, three-month sterling inter-bank rates were trading stubbornly above 13 per cent - but at least it will have done everything within its power, short of reintroducing M.R. to keep rates at what it believes to be the appropriate level. While last week's rise in interest rates could be justified on the grounds of a weak oil price, continued strength in sterling bank lending and the disappointment of hopes that the US discount rate would be cut, nothing has happened between now and then to justify a further increase.

A return to more direct interest rate management may partially reflect the greater emphasis being placed on the exchange rate, but it is hard to see how, yesterday at least, the Bank could have signalled its intentions in any more subtle fashion. There was no shortage in the discount market and, with the short sterling futures contract now establishing a price for the pound early in the morning, the customary mid-day signal might in any case have come too late. The Bank may find that, as the liquidity of the money market grows, the most effective way of showing its hand is through open market operations in a life-size. There is nothing like a bare squeeze in a futures market to get a message across.

Freegold

The merger of Anglo American's gold mining operations in the Orange Free State is as straightforward as all such Anglo transactions tend to be; and shareholders in the mines should have little difficulty voting on the issue in Johannesburg in a fortnight. They are asked to consolidate four mines and one holding company into the world's largest gold mine and two holding companies. Freegold will hold the assets; Osiel will hold at least half the shares in Freegold; and Welkom will hold up to 25 per cent of Freegold and around 30 per cent of Osiel.

The terms of the share exchange took only a year to work out. And by providing three vehicles, Anglo has prevented those institutions limited to 5 per cent per gold share from being forced to offload stock. So what's all the fuss about?

Shareholders, and particularly the US institutions which may be the largest holders after Anglo and

its associates, are proving curiously deaf to Anglo's arguments about financial strength, better use of capital assets and longer mine lives. They are baffled partly because they are given up four quoted mines, with different cash flows and gearing to the gold price, for one vast, medium-grade, medium-cost mine - in other words, an index. Holders of President Steyn and President Brand are notably upset in that, in the year between the announcements of the merger and the terms of the swap, they have made relative losses in their interests in the combined operation of 21 per cent and 13 per cent; and they are not satisfied by an income gain.

In effect, these holders have been told that they were overvaluing the Presidents - subsequently confirmed by the need for new capital expenditure - as if they had any source of information on the present value of their holdings other than Anglo. But then Anglo is a powerful company and has fish other than short-term value to try.

Nomura Securities

Size is not everything, of course, but it helps. And yesterday Nomura Securities, far and away the biggest investment banking group in Japan, provided a timely reminder of the resources which an international securities firm can dedicate to a little old market like London. In the year to September, Nomura produced pre-tax profits of \$1.2bn - the yen figures have two many noughts on the end to make much sense - and boasted net worth at the period-end of \$3.1bn.

Nomura is most unlikely to devote more than a small fraction of those assets to the strengthening of its London operations. It has not applied for a primary (dealer's) licence in the new gilt-edged market and the Bank of England is keeping its application for a banking licence in the pending tray. But, with a domestic market share that must cause even Japanese anti-trust officials to blush, Nomura has no option but to go overseas for growth. At present it derives 20 per cent of its revenues from international business, a figure that it would like to see near 50 per cent in the long term. Last year revenues were a fraction short of \$3bn; it does not take a computer to figure out what sort of competitive problems international growth of that order could present in London, or for that matter New York.

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World Weather

Location	C	F	Location	C	F
Aberdeen	12	55	London	8	48
Aberystwyth	10	50	London E	9	48
Aden	25	77	London W	7	45
Aldershot	7	45	Lough	7	45
Alexandria	13	55	Lough E	7	45
Ashford	10	50	Lough W	7	45
Birmingham	7	45	Lough S	7	45
Belfast	9	48	Lough N	7	45
Belfast E	9	48	Lough O	7	45
Belfast W	9	48	Lough P	7	45
Belfast N	9	48	Lough Q	7	45
Belfast S	9	48	Lough R	7	45
Belfast E	9	48	Lough S	7	45
Belfast W	9	48	Lough T	7	45
Belfast N	9	48	Lough U	7	45
Belfast S	9	48	Lough V	7	45
Belfast E	9	48	Lough W	7	45
Belfast W	9	48	Lough X	7	45
Belfast N	9	48	Lough Y	7	45
Belfast S	9	48	Lough Z	7	45

Threat to EEC plan

Continued from Page 1

The minority non-Socialist coalition led by Mr Schlüter cannot offer a majority for the reform in the Folketing (parliament) without the support of the Social Democrats, the largest party.

The Social Democrats might back down if the Community dropped its proposals for increased influence for the European Parliament and gave guarantees that Denmark could pursue independent policies for protection of the environment and safety at work. The Social Democrats say these matters are threatened by the introduction of majority voting on internal market issues. Such changes, however,

London acts on borrowing cost

Continued from Page 1

mercial bills from discount houses on Thursday and Friday and then fixed the same 12½ per cent rate for a special 6m swap facility with the banking system which will come into effect next week.

Mr Peter Wood, the Treasurer of Barclays Bank, said this was an unprecedented sign of the Bank's determination to hold the present level of interest rates.

Mr John Leopold, the treasurer of National Westminster Bank, also described the move as an unequivocally strong signal to the markets of the Government's view on interest rates.

Lovell BICENTENARY
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1786 // 1986

SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Wednesday January 15 1986

Showing the way in telecommunications

FERRANTI

E.F. Hutton reshuffles top management posts

BY WILLIAM HALL IN NEW YORK

E. F. HUTTON, the big Wall Street brokerage firm whose reputation has suffered from a series of management mishaps in recent years, yesterday announced a further top management reshuffle which the company described as "the broadest reorganisation" in its history.

The company, whose out-of-date management practices have come under fire during the past year, is reorganising all its units, including its support staff and operations, into two groups to "place authority for implementation as closely as possible to the point of sale."

Strong rise at First Chicago

By Our New York Staff

FIRST CHICAGO, the 10th biggest US banking group, which has attracted the attention of US bank regulators because of the erratic nature of its financial performance in recent quarters, yesterday reported a 7 per cent rise in its fourth-quarter net income to \$59.4m.

Rhône Poulenc chief supports privatisation

BY DAVID MARSH IN PARIS

MR LOIK Le Floch-Prigent, chairman of France's state-owned chemicals group Rhône Poulenc, yesterday came out in favour of partial denationalisation of the company.

based on the traded stock market price of the FFR 1.14bn worth of certificats d'investissement (non-voting preference shares) launched in October.

Libya buys control of Italian oil group

By James Duxton in Rome

THE Libyan Government, through the Libyan Foreign Investment Company (Lafco), has taken a majority stake in Tamolli, the ailing Italian oil company previously controlled by Mr Roger Tamraz, a Lebanese businessman said to have enjoyed Saudi Arabian backing.

Texas Oil profit slides 43% as high gas supply hits price

BY TERRY DODSWORTH IN NEW YORK

TEXAS OIL and Gas, the Dallas-based energy group that is planning a merger with US Steel, the nation's largest steel producer, suffered a 43 per cent decline in net profits in the three months to November last year as it continued to suffer from abundant gas supplies.

Wall Street has not been sanguine over its prospects during the current gas glut in the US, the results will do nothing to help the merger proposals that will be put to shareholders on February 11.

Setback for Volvo as Cardo board rejects higher offer

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

VOLVO, the Swedish automotive, energy and food group, yesterday suffered an important setback in its SKr 2.27bn (\$430m) bid for Cardo, the investment group with industrial interests in sugar, seeds and plant genetics, when the Cardo board recommended rejection of the offer.

Resistance to the original Volvo bid announced on November 21 has been building up for two main reasons, despite the fact that the Cardo board originally said the price offered by Volvo was acceptable at a board meeting on December 2.

Apple earnings rise despite fall in sales

BY LOUISE KEHOE IN SAN FRANCISCO

APPLE COMPUTER, the California-based personal computer manufacturer, yesterday reported record first-quarter earnings despite a 23 per cent drop in sales.

Conrail head defends independence

By Our New York Staff

MR STANLEY CRANE, chairman of Conrail, the government-controlled US East Coast railway, made a strong plea for independence yesterday as he announced figures showing record earnings of \$110m in the final quarter of last year.

Sharp gains by Johnnies in quarter

By Kenneth Marston, Mining Editor, in London


THE LATEST increases in profits of South African gold mines which have received a record domestic gold price in the December quarter come from the companies in the Johannesburg Consolidated ("Johnnies") and Anglovaal groups.

Learjet, Piaggio end venture

BY ALAN FRIEDMAN IN MILAN

GATES LEARJET, the US aircraft maker, has withdrawn from a joint venture with Rinaldo Piaggio of Italy to manufacture a new generation of business aircraft known as the GP-180. No reason was given for the termination.

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Agnelli family group result

By Our Milan Correspondent

IFI, the Agnelli family holding vehicle which controls 31.3 per cent of the Fiat group, yesterday announced a 14.14bn (\$67.5m) consolidated net profit for the nine months which ended in March 1985. There are no comparable figures because IFI has switched its year-end from June to March.

All these securities having been sold, this announcement appears as a matter of record only.

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Samuel Montagu & Co. Limited	Morgan Guaranty Ltd
Nomura International Limited	Salomon Brothers International Limited
Swiss Bank Corporation International Limited	Union Bank of Switzerland (Securities) Limited
Wood Gundy Inc.	Yamaichi International (Europe) Limited

INTERNATIONAL COMPANIES and FINANCE

Hitch hits Turner's bid for MGM-UA

BY OUR NEW YORK STAFF

MR TED TURNER, the flamboyant TV entrepreneur from Atlanta, appears to be having difficulties completing his \$1.5bn acquisition of MGM-UA Entertainment, the Hollywood film production and distribution group.

MGM-UA and Mr Turner's Turner Broadcasting Systems announced that they were having discussions "with a view to a possible restructuring of the agreement."

Mr Turner began takeover talks with MGM-UA last summer after an ill-fated attempt to take over CBS, which controls the largest of the big three US TV networks. He signed a definitive merger agreement on August 2 when he agreed to buy MGM-UA for \$29 a share in cash.

As part of the deal, Mr Turner agreed to sell United Artists back to Mr Kirk Kerkorian, the financier, for about \$470m.

Two months later the terms were revised and MGM-UA shareholders were offered \$25 a share in cash and one share of a new issue of TBS preferred stock for each of their shares.

Earlier this month a special shareholders' meeting to vote on the acquisition was postponed because the US Securities and Exchange Commission had not finished processing the documents related to the meeting.

Mr Turner plans to finance the deal with the proceeds of various issues of so-called "junk bonds" - securities rated below investment grade by the credit-rating agencies. It was not clear last night whether the latest proposed restructuring of the takeover was as a result of difficulties in raising finance.

An ambitious Dutch bank opens a London office. David Lascelles reports Rabobank forms link in international chain

AGRICULTURAL banks have been among the slowest to expand internationally. It is only in the last two years that Crédit Agricole, the world's largest, and Norinichu, its Japanese counterpart, have opened branches in London.

The latest of the breed to arrive is Rabobank of the Netherlands; its branch will be officially opened tomorrow. Fittingly, the ceremony will be conducted by Mr Pierre Lardinois, best known as the former EEC Agricultural Commissioner, who is now chairman of the bank's executive board.

"We want to be an important bank in the agri-business internationally," he said at the bank's dramatic glass-fronted headquarters in Utrecht (designated, rather unexpectedly, by the chief architect of Dutch State Reforms, from which Rabobank leased the land).

Like many other agricultural banks, Rabobank is unusually structured. Created out of a merger of the two Dutch co-operative banks, Raiffeisenbank and Boerenbank in 1972, it is a cooper-

ation of 987 tiny independent community banks with a central bank, Rabobank Nederland, which administers the group, sets its targets and handles its affairs in the wholesale markets.

The bank has no owners, though local farmers are members - a status which makes them liable for the group's losses, though it also entitles them to credit, sometimes on favourable terms. In practice, this liability has never materialised. Rabobank has always retained all its profits, and a catastrophe would have to wipe out all its Ft 6.7bn (\$3.42bn) of disclosed reserves, plus its hidden reserves, before members would be called on for the maximum Ft 3,000 they are each liable for.

According to Mr Lardinois, the bank has the highest capital ratios of the Dutch banks (disclosed reserves are equivalent to 5.5 per cent of assets and earned itself a rare triple-A rating from the US credit agencies).

Although in asset terms, Rabobank is not the largest Dutch bank



Mr Pierre Lardinois, chairman of Rabobank's executive board

(that honour goes to ABN). It has by far the largest banking business in the Netherlands, and its 2,400-strong branch network exceeds all the other banks put together. Its grass roots character has made it the dominant force in both

the farm lending business (where it has 90 per cent of the market) and in the savings market (where it has 40 per cent). This does, however, expose it to the vagaries of rural economies. It suffered a sharp downturn in earnings in 1982 when the Dutch recession was at its worst. Dutch following a drive to diversify its lending, agri-business loans now account for only 30 per cent of its portfolio. Rabobank has also launched a big lobbying effort in The Hague to remove (or share in) the tax privileges enjoyed by its big competitors, the life insurance companies and the pension fund.

Rabobank also has 25 per cent of the Dutch home loans market, and is negotiating to buy a ship mortgage bank which it helped rescue last year.

With its strong domestic expansion Rabobank's overseas expansion has begun in earnest in the last few years. The bank has offices in Curaçao, New York, Antwerp, Paris and London, and it participates in jointly owned banks in Germany and the UK. It is also a

member of the Unico group of five European co-operative banks. This year it hopes to open an office in Singapore and extend its activities in the Far East.

Mr Lardinois prefers to talk in terms of financing agri-business rather than farming, partly because it is a broader term which covers farming-related lending, but also because Rabobank does little direct lending to farms abroad.

In the US, where its expansion has been greatest, Rabobank has a balance sheet of \$1.7bn and \$500m of additional commitments, and has drawn some questioning glances from other banks for boosting its exposure to the agricultural sector at a time when many US farmers are in dire straits and farm banks are going out of business.

Mr Lardinois explains that Rabobank is not taking on any direct exposure to farmers, but is working through farm banks and loan participations. "We're not afraid of agri-business in America. The underlying business is so strong that it's a good one to get involved in."

NOTICE OF PREPAYMENT THE SAITAMA BANK, LTD. (Incorporated in Japan) U.S.\$20,000,000 Floating Rate Certificates of Deposit

Anglovaal Group

Mining companies' reports - Quarter ended 31 December 1985

Table for Anglovaal Gold Mining Co Ltd. Columns: Quarter ended 31 Dec 1985, Quarter ended 30 Sept 1985, Six months ended 31 Dec 1985. Rows: Operating results, Financial results, Development, Hedging transactions.

Table for Eastern Transvaal Consolidated Mines Ltd. Columns: Quarter ended 31 Dec 1985, Quarter ended 30 Sept 1985, Six months ended 31 Dec 1985. Rows: Operating results, Financial results, Development, Hedging transactions.

Table for Lorraine Gold Mines, Limited (continued). Columns: Quarter ended 31 Dec 1985, Quarter ended 30 Sept 1985, Financial year ended 30 Sept 1985. Rows: Financial results, Development, Hedging transactions.

Table for Village Main Reef Gold Mining Co (1934) Ltd. Columns: Quarter ended 31 Dec 1985, Quarter ended 30 Sept 1985, Six months ended 31 Dec 1985. Rows: Operating results, Financial results, Development, Hedging transactions.

Table for Pliska Copper Mines (Pty) Ltd. Columns: Quarter ended 31 Dec 1985, Quarter ended 30 Sept 1985, Six months ended 31 Dec 1985. Rows: Operating results, Financial results, Development, Hedging transactions.

Table for Consolidated Murchison Ltd. Columns: Quarter ended 31 Dec 1985, Quarter ended 30 Sept 1985, Six months ended 31 Dec 1985. Rows: Financial results, Development, Hedging transactions.

Table for Lorraine Gold Mines Ltd. Columns: Quarter ended 31 Dec 1985, Quarter ended 30 Sept 1985, Six months ended 31 Dec 1985. Rows: Operating results, Financial results, Development, Hedging transactions.

Sybron faces \$266m leveraged buy-out bid

BY OUR FINANCIAL STAFF

SYBRON, the US medical and dental products manufacturer, has received its second buy-out proposal in four months through a \$266m all-cash offer from Montgomery Securities and Morgan Guaranty Trust.

investors to finance the buy-out. Sybron, based in Rochester, New York, had revenues of \$301m and net income of \$19.2m in 1984, when it completed a big restructuring.

The latest suitors propose to offer \$24 for each Sybron common share and \$38.40 for each preferred share. Sybron's shares closed at \$21.70 on Monday, and in early trading yesterday rose 3 1/2 to \$22 1/2.

Dr Richard Propper, managing general partner of Montgomery Medical Ventures, a limited partnership formed by Montgomery and a unit of Morgan Guaranty, said: "Sybron's unusual structure of small independent companies, each with their own channels of distribution, will provide operating synergies for many of our present and future investments. Consequently, I believe we can provide additional value to Sybron in excess of that which currently exists."

Arco to settle \$243m tax bill

BY OUR FINANCIAL STAFF

ATLANTIC RICHFIELD has agreed to pay Alaska taxes of \$243m to resolve a long-standing dispute. The move follows the rejection of an appeal by the US Supreme Court on an appeal by several major oil groups which challenged the constitutionality of the tax.

The suit concerned about \$2bn of taxes paid from 1978 through 1981 (when the tax was replaced by another levy). Alaska claimed profits earned from Alaskan oil production in the period totalled \$2.1bn. Arco said 1986 earnings would not be affected by the payment as it is covered by previously established reserves.

U.S. Quarterly Results

Table showing U.S. Quarterly Results for various companies including Pantry Pride Supermarkets, Colt Industries, and American Host & Derrick.

U.S. \$30,000,000 ZENTRALSPARKASSE UND KOMMERZIALBANK WIEN Floating Rate Subordinated Notes Due 1991

US\$200,000,000 Fuji International Finance (HK) Limited Guaranteed Floating Rate Notes Due 1996

INTERNATIONAL COMPANIES and FINANCE

Exchanges rush to issue Ecu futures contracts

BY ALEXANDER NICOLL

THE EUROPEAN currency unit (Ecu) is by no means as tangible as the live hogs, or even the currencies, upon which futures are traded in Chicago. Nor, as the centrepiece of a system designed to protect Europeans from exchange rate fluctuations, would it immediately spring to mind as a natural vehicle for the speculative atmosphere of the pits. Yet exchanges are flooding the market with new Ecu contracts. The Chicago Mercantile Exchange is due today to launch Ecu futures. The European Options Exchange in Amsterdam was first of the market last month with Ecu options, followed last week by futures at the New York Cotton Exchange. The Philadelphia Stock Exchange plans to launch options on February 7, and several other exchanges plan to enter the game. The contracts offer the means to take a position on the dollar's general direction without having to assess the prospects for each individual component of the 10-currency basket — though the Ecu does move closely in line with its largest components, the Deutsche mark and French franc. The contracts could also be used to obtain cover in smaller European currencies, which may be difficult or costly to achieve at present. They may prove attractive to banks and others wishing to cover specific exposures in the Ecu-denominated currency, deposit and capital markets, as well as to European and multinational companies, which are increasingly using the Ecu. The beginnings have been tentative as with most new futures contracts. The NYCE did an encouraging 1,272 lots, worth Ecu 100,000 each, on the first day, after receiving since November an enthusiastic response to a dollar futures contract, based on the Federal Reserve Board's index. This was the first currency futures contract allowing a position to be taken on one cur-

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market. Closing prices on January 14

Table with columns: US DOLLAR, STRAIGHTS, Issued, Bid, Offer, Day, Week, Yield. Lists various international bonds and their market data.

Computer trading trial for Paris bourse

By David Mark in Paris

THE PARIS bourse intends to bring in experimental computerised trading in July to help it keep pace with competition from bustling foreign stock markets, especially London. Mr Xavier Dupont, chairman of the French stockbrokers association, said yesterday. He also said a morning trading session in the 50 most active stocks in Paris would start before the end of March. Both measures correspond to previously announced steps to modernise the stock market, where trading is still carried out by open outcry with quotes chalked up on blackboards. Mr Dupont made clear at a press conference yesterday that the bourse had no alternative but to press ahead with reforms to meet the challenge from Italian and other continental exchanges. This year is expected to lift further the appetite of London-based securities houses for doing business in Continental Europe. Plans to introduce computerised trading in Paris have already been under discussion for several years but have been delayed. Bourse officials say this is now planned to start on February 15. The computerised trading scheme, making use of the Computer Assisted Trading System (CATS) of the Toronto stock exchange, will provide continuous dealing and quotation possibilities for selected stocks between 10.00 and 17.00. The system will also be used to invoice in Ecu, and their US partners will easily accept this, so reducing the weight of the dollar in international trade.

Eurodollar floaters well received

BY MAGGIE URRY

THE EURODOLLAR bond market steadied yesterday and ended the day slightly firmer after the New York bond market opened stronger. Borrowers are beginning to take an interest in the market once more, but traders are still nervous and question whether the market is too fragile to bear the weight of a new deal. The boater market is more receptive, though, and two issues were launched yesterday with more momentum. New Zealand is raising \$350m through a 15-year deal led by Salomon Brothers, and Commerzbank launched a \$100m issue with warrants to buy a fixed rate D-Mark with a potential of DM 250m, for a financing subsidiary of the bank. New Zealand's deal will pay interest at the offered rate for six months, then a floating rate (Libor) and front-end fees were set at a total of 40 basis points. Paper was being placed as high as 99.70, making it a profitable deal for co-managers. Commerzbank's seven-year non-callable FRN met demand as it offered a margin above the market for a floating rate for good quality borrowers. The interest rate will be set at 1/2 per cent above the three-month mean rate between Libor and Libid (Limesan), with commissions of 30 basis points. The bond was trading comfortably above par, exceeding 100.20 at one point. The 250,000 attached warrants, priced at \$194, give the right to buy a seven-year non-callable bond with a 6 1/2 per cent coupon. They can be exercised during four periods, the last in February 1987, at an exchange rate to be fixed. After an initial strong start, the warrants slipped back to around \$174 as option theorists ran the figures through their computers and decided that they were slightly expensive at the issue price. In the equity-linked sector Nikko Securities (Europe) launched a \$30m issue with equity warrants for Tateho Chemical with a five-year life and an indicated 5 per cent coupon. It was trading above par. Nomura International set terms for Kohe Steel's \$100m issue with equity warrants at the indicated 5 1/2 per cent coupon and par issue price. Apart from the Commerzbank deal, the first D-mark issue of the year appeared, a DM 200m private placement for the World Bank. This six-year deal is led by Deutsche Girozentrale and terms were set at a 6 1/2 per cent coupon and 99 1/2 issue price. In the secondary market D-mark Eurobonds were mixed in dull trading with prices firming towards the close. The Euro-French franc market is in fair shape with traders not yet greatly affected by prospects of a realignment of the EMS widely expected in the spring. Aeroports de Paris is raising FF 350m with an issue maturing in January 1988 but with a 6.02-year average life. The coupon was set at 10 1/2 per cent and issue price at 100 1/2 per cent. Fees total 1 1/2 per cent and the bonds were trading comfortably within that discount. Last week's Council of Europe issue is now trading above its 100 1/2 issue price. The Swiss franc foreign bond market is also receptive to new deals, which have been flooding in. One public deal, a SFR 50m 10-year bond for Del E. Wehli, a US construction and cosine company, was launched by Credit Suisse. The coupon is 6 1/2 per cent and issue price 100 1/2. The deal is connected to a swap into dollars. In the private placement market Sweden is refinancing a domestic Yon bond market has held up well, some dealers doubt whether the Euroyen sector can stand up to too much new paper. More issues are expected in the market and although the domestic Yon bond market has held up well, some dealers doubt whether the Euroyen sector can stand up to too much new paper.

MoF to ease on Euroyen bonds

BY YOKO SHIBATA IN TOKYO

THE JAPANESE Ministry of Finance intends to ease its regulations covering the issue of Euroyen bonds, it was learnt over the weekend. No timing for this move is, however, likely to be announced until the completion of discussions with the banks and securities houses. Japanese borrowers will continue to be selected by the traditional criteria, although the MoF acknowledges the growing use of domestic rating services. The market depends on their being able to meet strict equity-debt ratios, which vary according to net worth. The MoF appears to have yielded to pressure from the US to amend this unwieldy standard in favour of unconditional access for foreign borrowers rated A or better. Japanese borrowers will continue to be selected by the traditional criteria, although the MoF acknowledges the growing use of domestic rating services. However, resident borrowers will be permitted from this spring to issue floating-rate Euroyen bonds — a foreign companies have been allowed to do since last June. A further step under study by the Ministry is the relaxation of the rule prohibiting for six months the sale to Japanese residents of Euroyen bonds issued by Japanese companies. The Tokyo authorities are keen to enhance the marketability of Euroyen bonds.

Japan's life groups relax 'Sushi' limit

By Our Tokyo Staff JAPANESE life insurance companies are to relax their self-imposed limit on holdings of foreign bonds issued by Japanese resident borrowers ('Sushi' bonds) from 5 to 8 per cent of their monthly net increase in assets, starting this month. Under Ministry of Finance guidelines, life insurance companies are allowed to place only 10 per cent of their total assets in foreign bonds. But institutions may invest up to 20 per cent of their monthly net increase in assets overseas once the ceiling is reached. Non-yen bonds and Euroyen bonds issued by Japanese resident borrowers fall outside this 10 per cent ceiling. The life insurance companies, where accumulated foreign securities are rapidly approaching 10 per cent, have been driven to buy massive amounts of Eurobonds issued by Japanese companies.

Samurai concession for public bodies

THE JAPANESE Ministry of Finance (MoF) has relaxed restrictions on yen-denominated samurai bond issues by foreign public entities for private placement, opening the way for issuers which have floated publicly offered samurai bonds

to return to private offerings, writes Yoko Shibata in Tokyo. The official said the MoF would require the banks to set terms that keep issue costs at least as high as those for publicly offered bonds, in order to deter large-scale private placements. The official said the MoF would require the banks to set terms that keep issue costs at least as high as those for publicly offered bonds, in order to deter large-scale private placements.

Euro-equity deal for Swiss Volksbank

By Alexander Nicoll

SWISS VOLKSBANK, the cooperative bank, yesterday launched the first Euro-equity deal of 1986, a SFR 147m issue of 60,000 bearer shares which will represent 5.2 per cent of its equity capital. Separately, it also announced a one-for-10 rights issue to raise SFR 177m. The international issue, led managed by Swiss Bank Corporation International with Swiss Volksbank London, will be priced next week at about a 3 per cent discount to the market price, which was SFR 2,530 yesterday. The discount is being granted because investors will not be entitled to receive dividends for 1985. But they will be able to participate in the rights issue, which comprises 103,000 participative buying rights at SFR 1,450 at 190,000-voting participation certificates at SFR 143. The issues are the latest in a series by Swiss Volksbank. Last September it launched a \$75m five-year Eurobond issue with equity warrants attached, accompanied by a SFR 125m domestic warrant issue.

Rate cut hopes lift Tokyo

THE Japanese Government bond market closed higher on speculative buying by major Japanese securities houses on the belief that prices had hit near-term lows. The yield of the new bellwether 6.5 per cent 10-year 78 government bond was 5.790 per cent against 5.850 and the yield of the 6.5 per cent No 68 bond was unchanged at 6.000 per cent.

Growing expectations of a Japanese discount rate cut after the G-3 meeting next weekend in London supported prices. Also, traders closing their positions ahead of Wednesday's national holiday and covered many short positions.

Frankfurt firms

German bond prices ended firmer in quiet trading in Frankfurt, with two fairly large foreign buying orders injecting optimism after the recent spell of declining prices. Longer maturities firmed between 10 and 15 pips but shorter maturities remained largely unchanged.

The Bundesbank sold DM 53.9m of domestic paper after buying DM 15.3m yesterday. The recent 6 1/2 per cent 1995 and 6 1/2 per cent 1985 Government loan stocks rose 20 and 25 pips to 101.10 and 102.65 respectively.

Zurich little changed

In Zurich public bonds traded mostly unchanged but warrant bonds issues by major banks and industrial companies closed slightly firmer. Agencies.

Advertisement for North Carolina Phosphate Corporation, The Williams Companies, Texasgulf Inc., and Elf Aquitaine, Inc. Includes contact information for Morgan Stanley & Co. dated January 7, 1986.

INTL. COMPANIES & FINANCE

Second reprieve for Pan-Electric

BY CHRIS SHERWELL IN SINGAPORE
MR TAN KOON SWAN, the beleaguered Malaysian entrepreneur and politician, yesterday won a second extension on an S\$8m (US\$3.76m) cash injection sought for Pan-Electric Industries by Price Waterhouse...

Nomura's overseas side helps lift profits 52%

BY OUR FINANCIAL STAFF
NOMURA SECURITIES, Japan's largest brokerage house, boosted group net profits 51.8 per cent to ¥10,970m (\$847m) in the year ended March 31...

Norwegian civil engineer takes over US group

BY WILLIAM HALL IN NEW YORK
SELMER SANDE, Norway's largest civil engineering and construction company, is entering the US construction industry by buying a majority interest in E. W. Howell, a New York construction company...

Cominco and Lornex set up copper complex

By Kenneth Marston, Mining Editor
CANADA'S Cominco and Lornex mining companies are aiming to create one of the world's biggest low-cost mining and milling complexes by combining and expanding their separate operations in the Highland Valley of British Columbia...

IRELAND US\$25,000,000 8 1/4% Bonds 1989

S.G. WARBURG & CO. LTD. announce that the redemption instalment of US\$1,500,000 due 15th February, 1986 has been met by purchase in the market to the nominal value of US\$437,000 and by a drawing of Bonds to the nominal value of US\$1,063,000.

Table with columns for bond numbers and values. Includes a list of bond numbers and their corresponding values for redemption.

Weyerhaeuser Company

has acquired the operating assets of Tri-Wall Containers Inc. a wholly owned subsidiary of TBG Inc.

We acted as financial advisor to TBG Inc.

Goldman, Sachs & Co.

New York Boston Chicago Dallas Detroit Houston Los Angeles Memphis Miami Philadelphia St. Louis San Francisco London Hong Kong Tokyo Zurich



December 20, 1985

The Australian Industry Development Corporation (A statutory corporation, wholly owned and guaranteed by the Commonwealth of Australia) U.S. \$100,000,000 11 3/4 PER CENT, NOTES DUE 1990

NOTICE IS HEREBY GIVEN that, pursuant to Condition (6) of the Notes, Citibank N.A. as Fiscal Agent, has selected by lot for redemption on February 3, 1986 US\$8,000,000 principal amount of said Notes at the redemption price of 101% of the principal amount...

Notice U.S. \$75,000,000 IC Industries Finance Corporation Guaranteed Floating Rate Notes Due 1991

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from January 15, 1986 to July 15, 1986 the Notes will carry an interest rate of 8 3/4% per annum.

C.V.G. Siderurgica del Orinoco C.A. (Sidor) THE MORTGAGE BANK AND FINANCIAL ADMINISTRATION AGENCY OF THE KINGDOM OF DENMARK

US\$75,000,000 The Bank of New York Overseas Finance N.V. Guaranteed Floating Rate Subordinated Notes due January 1986

BANQUE SUDAMERIS U.S. \$30,000,000 Floating Rate Notes due 1987 For the six month period 15th January, 1986 to 15th July, 1986

UNION DE BANQUES ARABES ET FRANCAISES - U.B.A.F. U.S. \$65,000,000 Floating Rate Notes 1986-1990

NOTICE OF PURCHASE EUROPEAN INVESTMENT BANK 9 3/4% - £/US\$ payable Bonds of 1977, due December 15, 1986

U.S. \$125,000,000 THE MORTGAGE BANK AND FINANCIAL ADMINISTRATION AGENCY OF THE KINGDOM OF DENMARK

US\$200,000,000 Guaranteed Floating Rate Notes Citicorp Overseas Finance Corporation N.V.

Wells Fargo & Company U.S. \$100,000,000 Floating Rate Subordinated Notes due 1997

NOTICE TO BONDHOLDERS S.G. WARBURG & CO. LTD. 8 1/4% Bonds 1989

Gomme brothers instigate buy out at 87p per share

BY DAVID GOODHART

Gomme Holdings, the maker of G-Plan furniture, has become the latest intended subject of a management-cum-institutional buy-out which values the company at £1.9m.

The buy-out plan was instigated by Mr Leslie Gomme, the current chairman, and his brother, Geoffrey Gomme, a non-executive director, who are reaching retirement age and want to realise their approximately 30 per cent family holding.

Mr Peter St George, of Hill Samuel merchant banking, was also involved in the Molins deal as a financial adviser to the board-stressed yesterday that while support for the 1700 Molins offer had been only half-hearted in the Gomme Holdings advisers, Morgan Grenfell, were wholeheartedly supporting the present deal.

The Gomme brothers who initially approached management buy-out specialists SI with the idea, have also proposed that the existing Gomme management should remain in place but that Mr Peter Fryson, Gomme's share price rose 24p to close at 85p.

The buy-out plan will go to an EGM expected in about six weeks. If passed the company will go private which the management believes will make it easier to sustain higher gearing. It is hoped it will return to the market in about five years.

In the year ending July 26 1985 Gomme made pre-tax profit of £1.7m on turnover of £31m after being badly hit by the recession and recording losses in 1981, 1982 and 1983. It became a public company in 1984 when it was floated on the London Stock Exchange at 50p per share.

Body Shop leaps 85% to near £2m mark

Trade has continued to move ahead very strongly at all outlets of Body Shop International, the natural cosmetic products concern. This enabled the group to lift pre-tax profits by 85 per cent over a 12-month period to £1.9m on turnover of £24.5m.

A final dividend of 1.5p net makes a total of 4p for the year. The company with a forecast of not less than 2.7p and a single 1.5p last year. A one-for-one scrip issue is also proposed. Stated earnings per share of the US\$ company jumped from 12p to 20.4p.

The directors report that since September sales have exceeded expectations, both in the UK and abroad. The buoyant Christmas sales have underpinned what, they say, looks like another year of continued strong progress.

David Lascelles takes a look at the rapid expansion of MAI Rolling along the takeover trail

MAI, as Mills & Allen International is now called, is fast becoming one of the UK's leading and most successful companies. To the man in the street, it is Pearl & Dean, the cinema advertising company. To the City it is Guy Butler, the money and foreign exchange brokers; to Wall Street, Gintelec and Garban, the US securities brokers.



Mr Clive Hollick, chief executive of MAI

It is something else again to people who research the US magazine and retailing market. Now, this acquisition and diverse group—while 10 years ago consisted of little more than a poster company and the near-defunct Vavasour Frings banking group—also moving in a determined fashion into the personal financial services business.

The proposed £25.5m purchase of Wagon Finance announced on Monday will take it into motor instalment credit, and strengthen its position in the High Street where it is already building up a chain of insurance brokers.

Mr Hollick, who is performance-oriented and interested in strategy, is like looking for opportunities and being adventurous in seeking them. The adventurous approach may partly explain why MAI is in such a wide range of businesses, presenting a bit of a problem for City analysts looking for the common thread.

Although its core activities—broking and media—were there at the start and have been built on by Mr Hollick, he says: "There has to be an opportunistic element in a group like ours. But we have tended to go for adjacent businesses."

It has built up an impressive global network of companies which trade a wide range of securities and currencies in all the world's major financial markets. This growth has come both through acquisition. Like last year's purchase of Gintelec for \$20m, and a joint venture with Ueda Tanishi, one of Japan's largest money brokers.

Broking has been enormously profitable recently, mainly because MAI's earnings came in dollars at a time when the US currency was strong. But it is fiercely competitive, and the recent deregulation of UK broking commissions means that MAI will have to raise volume to make up for finer margins.

The media business is grouped in United Communications which is an outdoor and screen advertising contractor in many countries. This was to have been floated off last year because its return was not up to standard. But Mr Hollick was unhappy with the price, so he kept it on. "It's moving very nicely now," he says.

London & Clydeside falls to £1.7m

Reflecting the inclusion last year of a £1.23m exceptional credit relating to land sales, profits of London & Clydeside Holdings were down from £2.9m to £1.65m at the pre-tax level for the year to end-September 1985.

There was an exceptional debit of £28,000 this time, being mainly the interest penalty on the previous year's land sales. Prior to the exceptional items, profits of £1.93m were made on a housebuilder and property developer fell from £1.76m to £1.67m. Turnover for the year amounted to £10.7m (£10.7m).

Had the skies been bluer, profits might have been about £200,000 higher. Further, early planning permission for Swanton resulted in a delay of nearly six months on construction in Edinburgh, while in Aberdeen the house market as a whole was poor, stemming from a lack of confidence in the North Sea oil market. The surprise decision to retain Bridgeton as an investment rather than realise a profit of some £40,000 also had an adverse effect on the results.

Continental Group Overseas Finance N.V. 9 1/2% Guaranteed Notes Due July 1, 1986

NOTICE IS HEREBY GIVEN that pursuant to Article Three of the Indenture dated as of July 1, 1979, as supplemented, (the "Indenture") among Continental Group Overseas Finance N.V. (the "Company"), KMI Continental Inc. (successor by merger to The Continental Group, Inc.) (the "Guarantor"), and Morgan Guaranty Trust Company of New York, as Trustee, under which the Company issued its 9 1/2% Guaranteed Notes due July 1, 1986 (the "Notes"), the Company has elected to and shall redeem on February 14, 1986 (the "Redemption Date") all of the outstanding Notes at a redemption price of 100% of the principal amount thereof (the "Redemption Price") plus accrued interest from July 1, 1985 to the Redemption Date in the amount of \$562 for each \$1,000 principal amount of Notes.

Payments at the office of any paying agent outside of the United States will be made by check drawn on, or transfer to a United States dollar account with, a bank in the Borough of Manhattan, City and State of New York. Any payment made at the office of the paying agent within the United States or by transfer to an account maintained by the payee with a bank in the United States may be subject to reporting to the United States Internal Revenue Service ("IRS") and to backup withholding at a rate of 28% if payees not recognized as exempt recipients fail to provide the paying agent with an executed IRS Form W-9, certifying under penalties of perjury that the payee is not a United States person, or an executed IRS Form W-9, certifying under penalties of perjury the payee's taxpayer identification number (employer identification number or social security number, as appropriate). Those holders who are required to provide their correct taxpayer identification number as IRS Form W-9 and who fail to do so may also be subject to a penalty of \$500. Please therefore provide the appropriate certification when presenting your securities for payment.

PAYING AGENTS: Morgan Guaranty Trust Company of New York, Corporate Trust Office, 30 West Broadway, New York, New York 10015; Morgan Guaranty Trust Company of New York, P. O. Box 161, Morgan House, 1 Angel Court, London EC2R 7AE, England; Morgan Guaranty Trust Company of New York, Avenue des Arts 35, B-1040 Brussels, Belgium; CONTINENTAL GROUP OVERSEAS FINANCE N.V. By: Morgan Guaranty Trust Company of New York, Trustee

Westpool lifts profits 22%

WESTPOOL Investment Trust reported further rationalisation of its investments, leaving it with substantial stakes in a limited number of companies. Its pre-tax profits for the six months to September 31 rose up 22.3 per cent to £1.8m, compared with £1.47m for 1984. The interim dividend is 0.344p, the same as in 1984.

The trust's dividend from London & Clydeside rose from £1.4m to £1.7m, while other UK investment income went up from £50,000 to £23,000 and overseas investment income fell from £25,000 to £3,000. Interest received dropped from £22,000 to £11,000. Interest payable fell from £25,000 to £24,000. Tax amounted to £549,000 (28.9%) and earnings per ordinary share were 1.26p (0.99p).

The group's share of the LMS interim dividend is £663,000, including the tax credit. This will be reflected in the full year results.

MSI keeps up recovery with £1.24m halfway

THE RECOVERY shown by MS International in the second half of last year has continued into the first six months ended October 26 1985, as the company is resuming interim dividends with 0.5p net.

Profit before tax for the period rose to £2.2m. A more stable pattern of trading has emerged for this mechanical and electrical engineering group, and chairman Mr K. Blair says with the current level of orders on hand he anticipates the improvements will continue. In the corresponding period of 1984 the group incurred a loss of £1.2m. The loss was due to the 1984-85 financial year. The dividend for each of the last four years has been a single 0.1p net.

Mr Blair reports that all three operating divisions traded profitably. Electrical and mechanical engineering—made—progress, while mining equipment took a heavy loss. The latter cost an uncertain home market. Certain individual companies within the respective divisions did not achieve their targeted 1985 objectives. Management changes were effected. Turnover to the half year rose from £29.76m to £32.12m. Loss produced a trading profit of £1.24m (1984: £0.8m). Interest charges this time were £1.04m (£897,000).

Ernest Jones (Jewellers) has lifted its profits by 14.5% as profits rise 14.5%.

Ernest Jones confident as profits rise 14.5%

Ernest Jones (Jewellers) has lifted its profits by 14.5% as profits rise 14.5%.

Ernest Jones has spent the past three years rebuilding its profits by the end of 1982 when the pretax margin fell to under 2 per cent of sales. On these 12-month figures the margin is almost 5 per cent. The three new stores are all doing well—although one will have missed the Christmas sales rush—and two more short-term stores are being opened in March. While this organic growth is good for confidence building, the company would clearly like to find a suitable takeover target in its own "county jeweller" image (somewhat on market of the big city, high street multiples like Raters and Samuels). To date there has been little success in this search—perhaps because the family holds its shares too tightly. For the 12-month period to March 1985, pre-tax profits of £1.8m should be achievable. At 80p, net 4p, the shares are on a historic multiple of almost 17.

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BOARD MEETINGS and FUTURE DATES table with columns for company name, date, and details of meetings.

Chem & Chaff CHEMRING PLC advertisement with logo and contact information.

Ernest Jones advertisement for convertible shares, including details of the offer and contact information for Kleinwort, Benson Ltd.

CHATHSWORTH MANAGEMENT SERVICES LIMITED announces the establishment of the BRYCOURT INCOME GROWTH FUND, an authorised unit trust, managed by Brycourt Unit Trust Management Limited.

Countryside meets targets

In line with the forecasts made with the £7.5m rights in November, Countryside Properties has lifted its pre-tax profit from £2.21m to £2.53m in the year ended September 30 1985, and is paying a final dividend of 2.71p. This makes a total of 5.74p net on the old capital, against 5.04p.

The group is engaged in residential and commercial property development. The residential side lifted its turnover to £24.8m (£22.8m) and gross profit to £2.7m (£2.5m); on the commercial side reduced proceeds from sales led to a drop in turnover to £6.5m (£12m) and profit to £277,000 (£373,000).

DIVIDENDS ANNOUNCED

Table listing dividends announced for various companies, including Body Shop, Countryside Properties, Fleming Claverhouse, Howard, Jersey Electricity, Ernest Jones, and others.

Granville & Co. Limited advertisement including a table of stock prices and yields for various companies.

UK COMPANY NEWS

Guinness beats forecasts with 22% surge to £86m

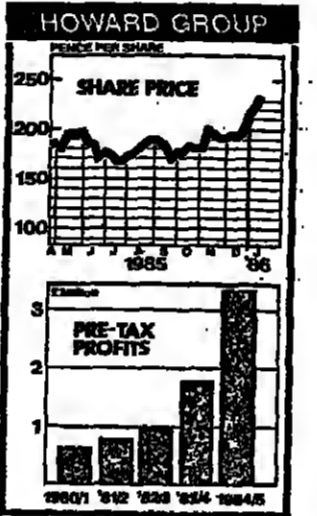
Guinness yesterday unveiled its results for the 1984-85 year which showed profits some £3m ahead of the forecast made at the time of the takeover bid for Arthur Bell.

The management of Glencage Hotels, part of Guinness, is thought to be trying to raise funds to buy three of the group's four hotels including the Piccadilly in London, writes Mark Meredith.

behind a plan to buy out the Piccadilly as well as two Edinburgh hotels, the Calendonian and the North British. Guinness is thought to be anxious to keep the luxury Glencage hotel in Portlaoise. The hotels were part of the Bell group which Guinness bought last year for £256m.

Howard's 92% profit rise beats forecast

Howard Group, the holding company of two Lloyd's insurance brokers, has beaten by 20.4m the profit forecast made when it joined the Unlisted Securities Market last April.



of the US dollar income from the marketing of property exchange rate by its policy of selling forward when appropriate. US earnings increased because of higher premium rates and greater volume.

Charles Batchelor on Ladbroke's proposed merger with Granada An increasing role for television

FROM March 10 a relaxation in Britain's gaming laws will allow Ladbroke and Britain's other bookmakers to instal television sets in their betting shops so the punters can watch the races on which they are putting their money.



Mr Cyril Stein (left), the Ladbroke chairman and Mr Alex Bernstein, the chairman of Granada.

Ladbroke would also contribute a higher proportion of profits on the basis of the two group's 1985 earnings. Brokers' analysts are forecasting a 1985 pre-tax profit of about £75m for Ladbroke compared with Granada's declared profit of £64.4m in the year ended September 1985.

Burton's sales show 25% rise

Burton Group, the retailer, told its annual meeting yesterday that sales were currently 25 per cent ahead of the same period last year, excluding Debenhams, the department stores chain it acquired last August.

much potential as it had appeared to during the bid battle, but it would take two to three years to produce the kind of performance figures to which Burton was used to.

Debenhams, though BHS itself would "not contribute to Debenhams' style at this stage". Burton is planning an asset disposal programme to reduce borrowings in the wake of the takeover. Debenhams has a stake in a Washington property, the Capital Plaza development, which is up for sale and could realise over £10m for the group.

comment

Hard times in the insurance industry have had a spell of good times for Howard. Despite an acute shortage of underwriting capacity, Howard is managing to go on placing business, and has the group now had a 51 per cent interest in a non-Lloyds broker specialising in the US property insurance market with an option to buy the remaining 49 per cent. Mr Peet of this company has performed successfully.

DCL statistics are meaningless - Argyll

MR JAMES GULLIVER, whose Argyll food group has made a profit, said yesterday that Distillers' expected forecast of profits before tax for the year to March 1986 would have to be over 200p to keep pace with inflation.

present activity. We want to see what his plans are for the future. A statement from Distillers last night said that Argyll's document contained no fresh arguments to support its current offer, which was below the value of Distillers' shares and placed no value on Distillers' international brands. The document continued to ignore the changes that have been made by Distillers since 1985.

Exports of bottled blends of Scotch whisky fell by 53.64 per cent in November 1985 compared with the same period in the previous year, according to figures published by Customs & Excise. Bottled blends accounted for about 50 per cent of the 431m litres of pure alcohol exported to the US in November.

Stead & Simpson static

Unseasonal weather affected the footwear trading side of Stead & Simpson in the half-year ending September 1985, and pre-tax profits emerged little changed at £2.49m, against £2.48m.

USM offer puts £46m market value on Wickes

Wickes, the building materials and home improvement products retailer, which last month announced its forthcoming flotation on the USM, is to offer 4.6m shares at 140p a share to finance future store development and to create a vehicle for employee participation.

Belgium, but England is its main source of profit. Mr Henry Sweetbaum, chairman and chief executive, said yesterday that the two main purposes of the flotation were to finance future store development and to create a vehicle for employee participation.

Lincroft Kilgour 17% higher

ALTHOUGH second-half profits showed only a marginal increase over last year, Lincroft Kilgour's share price rose 17 per cent to £1.94m, against £1.65m. Turnover rose 3 per cent from £7.93m to £8.17m.

Whitworth's profit passes £1m

IN ITS first year as a public company, Whitworth's Food Group has lifted its pre-tax profit by nearly 27 per cent to £1.04m before exceptional income.

Whitworth's turnover has taken a bit of a bashing due to sharp falls in potato prices—now down to less than a third of peak 1983 levels—but this has not prevented both profits and volume growth in the company's key divisions. Whitworth's came to the USM in January 1985, placing at 95p a share and it seems that the issue was timed just right to gain the most in rising terms from what was then a fairly heavily hyped sub-sector.

subsidaries. Inevitably, however, the short-term outlook is a little flat and with the food stocks now off the boil the food item has to be living up to expectations. On forecasts of £12m the shares at 92p are on a prospective p/e of 12.5 given a 40 per cent tax charge. In time a rather less modest premium to the first manufacturing sector, now on a prospective multiple of 12.5, could be justified.

Advertisement for Norsk Hydro a.s. Bonds due 1991. US \$100,000,000. 8 1/2 per cent. Bonds due 1991. Issue Price 99 3/4 per cent. Interest payable annually on 4th February. The following have agreed to subscribe or procure subscribers for the Bonds: Swiss Bank Corporation International Limited, Banque Paribas Capital Markets Limited, Credit Suisse First Boston Limited, etc.

Anti-tobacco protest at Hanson AGM

By Charles Batchelor HANSON TRUST, the industrial conglomerate which is bidding £1.8bn for Imperial Group, the tobacco giant, came under fire at yesterday's annual meeting from a small number of shareholders opposed to its financing involved cigarette-making.

Pineapple changes banks

Pineapple Dance Studios, the USM-gonez dance studio operator and clothes merchandising company, yesterday announced that it had appointed Citibank in the place of Barclays Bank as its principal banker.

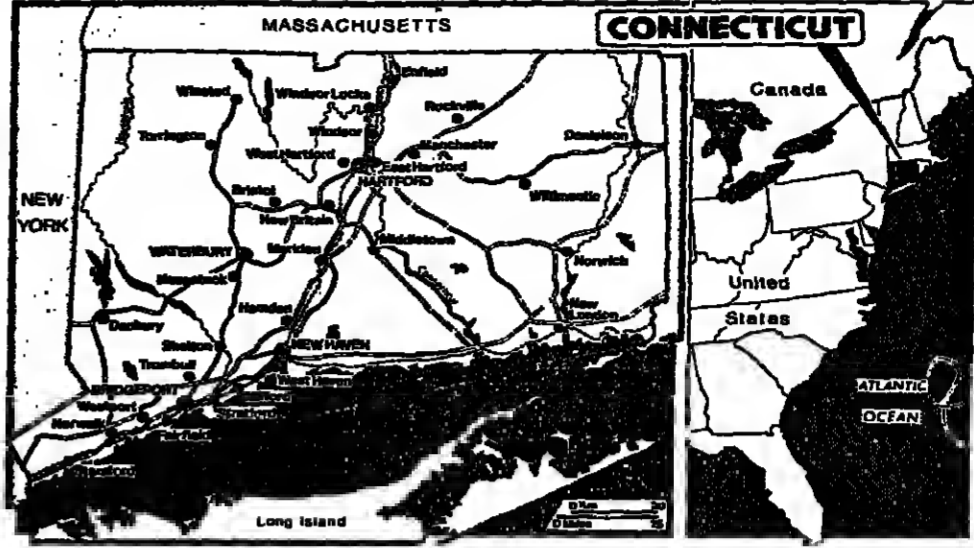
Advertisement for East Rand Consolidated P.L.C. Announcement to shareholders. The directors of ERC are considering proposals which, if implemented, may affect the market price of ERC's shares. An announcement relating hereto will be made as soon as possible. Shareholders are accordingly urged to exercise caution in dealing in their shares. By order of the board African Exploration Company Limited. Local Secretaries per M. Steele. 15th January 1986.

FINANCIAL TIMES SURVEY

Wednesday January 15 1986

Connecticut

The third-smallest state in the union, Connecticut in New England is among the richest. It had the good fortune, early in US history, to become an important financial centre. The city of Hartford is called the capital of US insurance.



The base for 50 top US companies

AMONG THE leading US corporations with headquarters in Connecticut are the following:

Company	Location
Aetna Life & Casualty	Hartford
Amex	Greenwich
American Can	Greenwich
Aveo	Greenwich
Bangor Punta	Greenwich
Champion International	Stamford
Chesbrough-Pond's	Greenwich
Combustion Eng.	Stamford
Connecticut Bank & Trust	Hartford
Connecticut Gen. Cooco	Stamford
Continental Grp.	Stamford
Dexter	Windsor Locks
Emhart	Farmington
General Electric	Fairfield
General Host	Stamford
General Reinsurance	Stamford
General Signal	Stamford
General Telephone & Electronics	Stamford
GK Technologies	Greenwich
Great Northern	Stamford
Hartford National	Hartford
Heublein	Farmington
Insteel	Meriden
Kennecott Copper	Stamford
Lone Star Industries	Greenwich
Moore McCormack	Stamford
Resources	Berlin
Northeast Utilities	Olin
Olin	Stamford
Peabody Intl.	Stamford
Perkin-Elmer	Stamford
Pitney-Bowes	Stamford
Pittsco	Greenwich
Richardson-Vicks	Wilton
Scovill	Waterbury
Singer	Stamford
Southern New England Telephone	New Haven
Stanley Works	New Britain
Stauffer Chemical	Westport
Texasgulf	Stamford
Travelers	Hartford
Union Carbide	Danbury
Uniroyal	Middlebury
Utd. Technologies	Hartford
US Industries	Stamford
Warnaco	Bridgeport
Xerox	Stamford

A Puritan revival

By Christian Tyler

CONNECTICUT is often described as two states. One is the super-rich Connecticut of corporate headquarters, yachting marinas and country clubs, where a three-bedroom house (with double garage, naturally) costs \$195,000. The other state, the one that most people see, is old and battered, proud of its history and Puritan resilience and proud of the fact that it has emerged triumphantly from a black decade when people and companies were fleeing to the sunbelt states of the south.

Most of the populace of 3m live and work in a long urban and suburban corridor that runs from the boundary of New York City, along the so-called gold coast of Greenwich and Stamford, past the old armaments and engineering centre of Bridgeport to New Haven, home of Yale University, and on up the Connecticut River valley to the state capital of Hartford.

There are industrial centres outside this corridor. Like Waterbury in the Naugatuck valley, the former brass capital of America, and New London, an old whaling port. The rest is mostly trees, scattered settlements of weatherboard houses and not very fertile farmland.

The prosperity of the new Connecticut has helped to keep this state—the third smallest in the US—among the very richest. Sharing in the general economic

revival of New England, Connecticut has managed for several years now to log a rate of unemployment well below the national average.

Founded by a dissident group of Puritans, Connecticut went its own conservative way. It is still conservative in attitude, though liberal in its politics. "Yankee ingenuity" is what the people of Connecticut claim for themselves, but there is a certain cussedness, too—for example, in the legislature's refusal to reform an antiquated tax system.

Variety

Among the state's better-known sons is Samuel Clemens (Mark Twain) who between 1874 and 1891 in Hartford (his house can be visited) wrote *Huckleberry Finn*, *Tom Sawyer*, *The Prince and the Pauper* and —of course—*A Connecticut Yankee in King Arthur's Court*. It was Mark Twain who famously described the New England weather as of sumptuous variety and dazzling uncertainty. "In the spring I have counted 136 kinds of weather inside of four and twenty hours," he wrote.

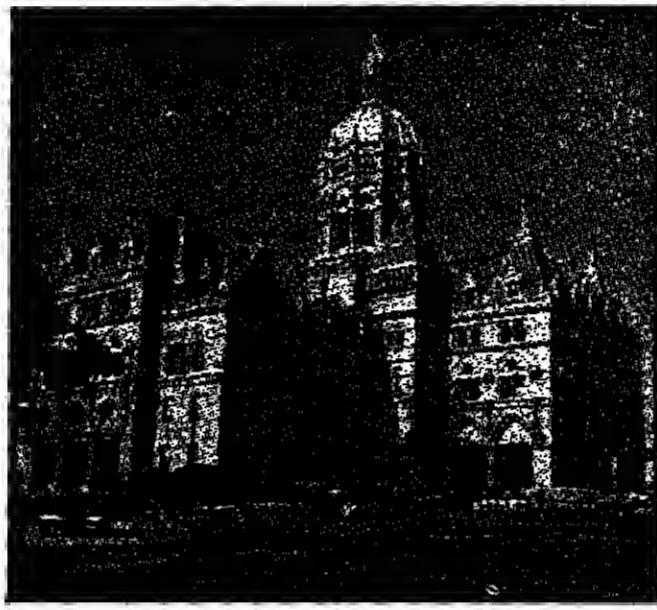
The state spawned an amazing variety, too, of industrial

products. A former editor of the *Hartford Post*, quoted by Prof David Roth in his excellent short history of the state, noted at the turn of the century how prolific were the state's factories: clocks, hats, pocket-knives, Yale keys, Winchester rifles, Colt revolvers, buttons, pins, gas and electric fittings, bicycles, tyres, door bells, typewriters, gramophones and the ubiquitous sewing machine.

Connecticut developed the first modern submarine, and was the home of Charles Goodyear, a founder of the US rubber industry. Eli Whitney, although born in Massachusetts, invented the system of interchangeable parts in a firearms factory in New Haven, and so laid down the basis of modern production methods. He had already invented the cotton gin "and thus changed the course of both southern and American history," says Prof Roth.

Modern manufacturing in the state is dominated by metal-working, machinery and electrical equipment. These industries account for 70 per cent, or nearly twice the ratio for the US as a whole.

Aircraft engine building is the biggest manufacturing employer, with Pratt and Whitney (a subsidiary of the conglomerate, United Technologies) making military and civilian jet engines on four sites. General Dynamics makes nuclear sub-



Left: The State Capitol, Hartford. Connecticut treasures its history and reputation for ingenuity. It claims to be the birthplace of the submarine, the US insurance industry (see page 3), the shelf clock, the cylinder lock, and the industrial concept of mass-produced interchangeable parts—not to mention the hamburger, the lollipop and the pay-telephone.

refugees from New York during the sixties and seventies.

Many foreign concerns have operations in the state. West Germany, the UK, Sweden and Switzerland are particularly well represented. The state's economic development planners used to pitch hard to bring companies into the state from other parts of the US and from abroad. And although foreign investment is still much sought after, the financial incentives are now designed as much to encourage the expansion of native business.

Inter-state competition for new immigrants may, in the end, be self-defeating. Besides, the allure of the sunbelt has faded as those mushrooming cities struggle with their own congestion and rising costs.

Connecticut can lay claim to no silicon valley—but the fact that California is now so expensive (a three-bedroom house in San Francisco can cost

\$325,000, according to one estimate) has given them fresh heart in New England.

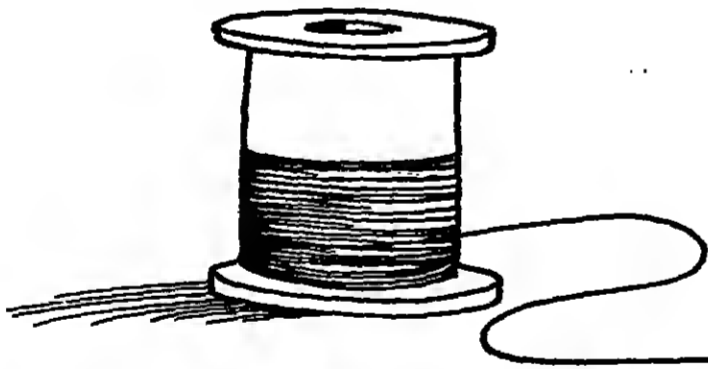
Politically, the state should best be described as social democrat—a Republic in Connecticut is more liberal than a Democrat in Louisiana," says one businessman. The Republican party is enjoying a rare majority in both houses of the state legislature, under a Democrat governor, Mr William O'Neill. Economic policy is essentially bipartisan. That is despite the wave of "new Republicans" who were elected on President Reagan's coat tails.

These new men, perhaps representing the " yuppie " element that is said to be so characteristic of the new Connecticut, are not expected to survive the Democrat challenge in state assembly elections this year.

"The key is that the governor and this administration have been consistent in trying to provide a fair climate for business," says Mr Ronald Gillrain, a vice-president of Stanley the worldwide hardware manufacturer. "They have retained business in Connecticut, despite the sabre-rattling of the legislature."

Some Republican voters are greatly disappointed, indeed, that the government has not seized the political opportunity, at a time of budget surpluses, to lighten the business tax burden and remove some of the traditionally high oncosts of employing labour. But the Governor has decided that falling educational standards, not

the tax system, is the political issue of 1986. * Connecticut: A History; by David M. Roth, published by W. W. Norton and Co., New York.



Why a thread company in England chose a bank in Connecticut.

When an English thread company was looking for a bank to take care of its business in the U.S., it didn't want a financial plan patterned after any other.

So it chose The Connecticut Bank and Trust Company. Because we can tailor a wide array of financial services to fit even the most complex international banking needs.

In fact, CBT has helped more multinational corporations settle in the Northeastern United States than any other bank. Firms like a medical company from Germany, a steel company from Sweden, and an aluminium company from France. Doing everything for them from offering foreign exchange services and setting up payroll and credit lines to getting mortgages and credit cards for their employees.



And now we can do even more. Since CBT has become a part of the Bank of New England Corp., our international clients will have access to branch offices throughout the Northeast. As well as international capabilities in Hartford, Stamford, Boston, New York, Miami, São Paulo, and London.

So if your business is heading for the States, call CBT at (203) 244-4283. Or write our Multinational Division, The Connecticut Bank and Trust Company, 1 Constitution Plaza, Hartford, Connecticut 06115 USA, Telex: 681 3161 CBT MULTIHFD.

Like the thread company from England, you'll find we can custom-make the kind of financial plan that'll make your business here as successful as it is there.

When you're ready to demand more from a bank.

CONNECTICUT 2

PROFILE: WILLIAM O'NEILL, GOVERNOR OF CONNECTICUT

A career politician

"A HELL of a good Irish politician, whose only business experience is running a bar and grill." This is one businessman's description of Connecticut's Governor, Mr. William O'Neill. Perhaps "career politician" would be the more neutral way of putting it.

Mr. O'Neill, a Democrat from East Hampton, took over in 1981. He was deputy to Ella Grasso, the daughter of an Italian baker and the first woman to be elected governor in the US. With her resignation due to illness, Mr. O'Neill had two years in the office before being elected in his own right in November 1982. His administration—there is a rare Republican majority in the state legislature at present—is seen by the business community as broadly

supportive. Economic management in the state is said to be non-partisan. Democratic governments in the '60s and early '70s are blamed for doing little to prevent a flight of business from the state: the present administration is quite different, businessmen say.

Mr. O'Neill, who can stand once again when his term expires later this year, has decided that education is the top priority for Connecticut. In the autumn he launched a "year of education," promising to upgrade the system from bottom to top.

He would like to see teachers' basic salary raised to \$18,500 a year, but also institute a mechanism "to weed out those who cannot, or will not, meet the standards of excellence."

Children will have to work

harder at school, and will be tested more often, says Mr. O'Neill.

To pay for these improvements, the Governor says he will be putting a proposal before the state general assembly next month to increase the state's share of school funding from the present 41 per cent to 50 per cent. There will be more government money, but not more bureaucracy, he adds.

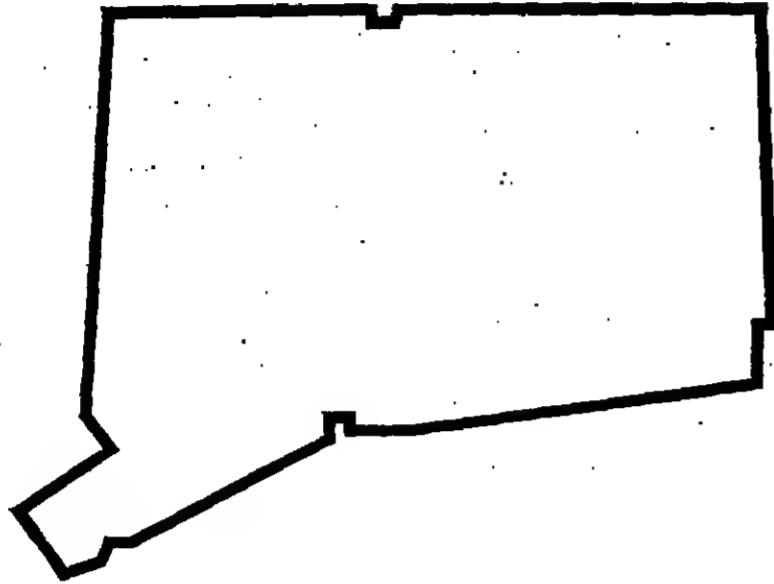
New 55 years old, Mr. O'Neill was with the USAF in the Korean War. He reached the state House of Representatives in 1968 and was majority leader from 1975 to 1978, when he was elected governor of the state.

His wife Natalie (or "Nikki") Damon, from Massachusetts, is a schoolteacher.

CHRISTIAN TYLER



William O'Neill, Connecticut's Governor: top priority for education



This ad is for companies that don't recognize this as the shape of things to come.

Take a close look at the shape of Connecticut's economy and you'll like what you see.

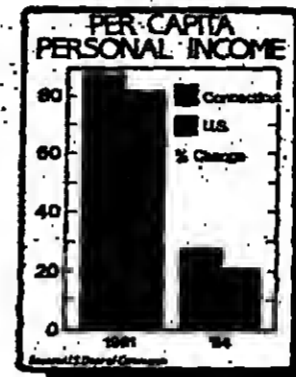
You'll see a state whose economy is being called "one of the strongest in the nation." Where new construction activity is growing at twice the national rate. And where the work force is one of the most highly skilled and best educated in the U.S.

You'll see the shape of things to come—from our Economic Development Department... Things like investment incentives, development assistance and financing programs...

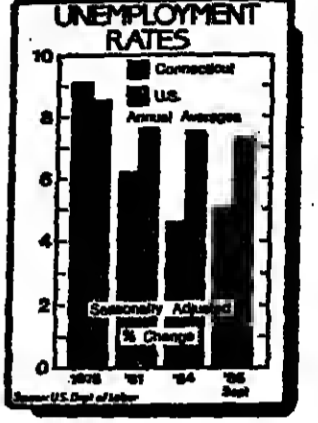
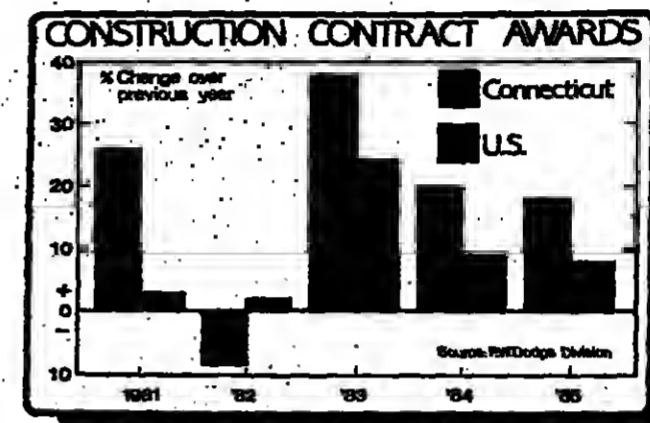
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For details about how your company can reap the benefits of the economic state we're in, contact the State of Connecticut European Office, Schutzenstrasse 4, 6000 Frankfurt am Main 1, West Germany. Telex: 41 60 67 ctdoc d. Telephone: (069) 28 20 55/56. Facsimile: (069) 28 38 01.

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The perfect climate for growing businesses.



Average per capita income, '84 U.S. \$12,707; Connecticut, \$16,200.



'We're in great shape'

The banking sector
PAUL TAYLOR

CONNECTICUT—and the New England economy of which it is a key part—has emerged as a testing ground for a crucial experiment in limited interstate banking in the U.S., a regional banking initiative which has been dubbed "The New England Experiment."

Last June the Supreme Court opened the merger floodgates in New England when it upheld the constitutionality of new laws passed by New England states which permit interstate banking among participating states, while excluding mergers involving institutions from other states—particularly New York.

In the wake of the Court decision, the banking landscape of New England and Connecticut is being redrawn by a series of interstate mergers which are creating a new group of "super-regionals"—bank holding companies with commercial banking operations in up to four states.

The Supreme Court decision was forced by a Citicorp challenge to the legality of Hartford-based CBT's planned merger with the Bank of New England, a Massachusetts-based banking group. Five days after the court decision, CBT completed the merger. Since then, the CBT/Bank of New England deal has become a model for others.

The CBT/Bank of New England merger was a merger of equals, each a highly successful profitable banking group both with assets of over \$60m and individual complementary strengths.

Since then the combined group under CBT's former chairman, Mr. Walter Connolly, has fleshed out its regional superbank strategy by acquiring two smaller banking units, Maine National and, most recently, Old Colony Bank of Providence, Rhode Island.

The new combined banking group, headquartered in Boston, now has assets of \$16.3bn, deposits of \$13bn and shareholders' equity of \$2.1bn, ranking it as one of the 50 largest in the nation.

Impact

But other mergers have also changed the shape of banking in Connecticut. In particular, Bank of Boston, the nation's 18th largest banking holding company, has acquired Colonial Bancorp, the fifth largest Connecticut banking group, based in Waterbury, as part of its growing inter-state empire.

Hartford National, parent of Connecticut National Bank and CBT's closest rival, particularly in the corporate market, has been rapidly expanding both in-state and across state boundaries.

After expanding its Connecticut branch system through a series of recent acquisitions, Hartford National has acquired Arlington Trust (Astru) of Massachusetts, opened a commercial bank in Rhode Island and most recently announced plans to acquire the Provident, a Boston-based Thrift, for \$78.75m.

As a result, Hartford National is emerging as another broad-based regional banking group with total assets of about \$9bn and almost \$600m in equity capital.

Meanwhile, First Connecticut



The commercial centre of Hartford, Connecticut: local banks believe they have an advantage over their larger rivals in New York City

A sampling of commercial banks

Bank (and main office)	Assets at 31/12/85	% change 1984 net on year	% ch'ge on year
CBT Corporation (Hartford)*	6,862.9	+13	48.2
Hartford National (Hartford)	6,192.1	+11.2	58.6
Northeast Bancorp (N. Haven)	1,974.9	+20	17.8
Citytrust Bancorp (Bridgeport)	1,513.4	+23	14.2
Colonial Bancorp (Waterbury)†	1,501.4	+18.7	18.8
First Connecticut Bancorp (Hartford)‡	1,197.2	+16	12.1

* Merged with Bank of New England June 1985. † Merged with Bank of Boston June 1985. ‡ Approved merger with First Financial November 1985.

Research: Nivka Nachsona.

Bancorp, the sixth largest banking group, has agreed to be acquired by Fleet Financial, Rhode Island's biggest banking group. Among the six largest Connecticut banks, only Bridgeport-based Citytrust Bancorp, a fierce competitor in the commercial market, and New Haven-based Northeast Bancorp have so far been left out of the merger boom.

Northeast Bancorp, which has been seeking a merger partner for about seven years, was to have been acquired by the Bank of New York ahead of the Supreme Court ruling.

Despite this frenzy of merger activity, Connecticut banks are emerging as linchpins in the new regional banking conglomerates while also managing to retain their individual identities moulded by the diverse high-technology manufacturing, trade and service-oriented Connecticut economy—strengthened by the expertise of their merger partners.

Indeed, the driving force behind the New England merger wave is a realisation that the increasing homogeneity of the New England marketplace provides new banking opportunities.

"With the speed-up of systems our natural market has expanded," explains Mr. James McNally, president of CBT which retains its independent board characteristic pragmatic and market-orientated identity within the expanded regional holding company.

Banks such as CBT believe that their new merger partners will help them broaden and strengthen their earnings base—Bank of New England, for example, is an expert in wholesale and medium-sized asset-based lending and leasing—complementing CBT's strong retail, commercial and corporate banking businesses and creating an "even more rounded financial institution." The merger will also provide

the opportunity to spread costs—"over the years it will allow us to spread the cost of systems over a much larger base," says Mr. McNally, a CBT veteran.

In fact, the large Connecticut banks, such as Hartford National and CBT, were the product of a wave of mergers of Connecticut community banks—even before interstate banking appeared on the horizon.

Through these mergers, both CBT and, more recently, Hartford National have built up sizeable local branch networks. CBT's 187-strong statewide retail branch network in particular has helped the group maintain strong core deposit growth over the years.

While the mergers have diluted CBT's still-impressive earnings results over the past five years, Mr. McNally says the wave of community bank acquisitions is now just about complete.

Accordingly, he expects the bank's return on equity to grow to around 18 per cent, up from 15 per cent in 1984, and return on assets to reach about 100 basis points compared to 0.74 per cent in 1984.

Thrifts deposits

develop large and sophisticated trust and upscale personal banking operations.

Similarly, the solid base of business customers—including the major insurance companies—has led the major Connecticut banks to develop extensive commercial and investment banking services including specialised corporate processing services. The local Connecticut banks believe they have a special advantage over their larger rivals from New York City. They emphasise that their daily contact with senior executives from major Connecticut-based corporations—together with their provision of basic retail, payroll and other services to major corporate clients—results in the development of close relationships.

Now they are attempting to parlay this advantage—and their recently expanded balance sheets—into a larger slice of the wholesale banking business. The new super-regionals which are now emerging in New England also have an increased capacity to service domestic clients abroad. For example, CBT's merger with Bank of New England has provided CBT's corporate customers with access to its services through the merged group's London office. Equally important, Connecticut banks, particularly CBT, have long courted foreign investors in the US.

CBT has developed a whole unit dedicated to attracting inward investment by foreign firms and then providing local banking services to these new customers. Mr. Robert Sachs, a vice president in the bank's multinational group, has coined the term "reverse-investment" to describe this specialist market niche which has proved highly successful.

Among its clients the multinational group lists a growing number of West German, British and Scandinavian companies which have established subsidiaries in the state and which are now expanding their activities—and banking needs. The result of this and other innovative moves is likely to ensure that the rapidly changing Connecticut banking market remains dynamic in the future. For the state's best-managed, which have proven their ability to adapt to a rapidly changing environment and exploit particular market niches—the prospects appear good.

The New England Experiment has begun, and, as Mr. McNally of CBT notes, "we are in great shape."

CONNECTICUT 3

Optimism in the insurance capital of the US

WHILE THE State of Connecticut might occasionally have difficulty getting its message across to the world at large, there can be few people in the financial services arena who do not think "insurance" when the name Hartford, Connecticut, is mentioned.

Hartford has been called the "insurance capital" of America and while this overstates the city's importance in the industry, the history and success of Hartford are closely intertwined. Nearly 50,000 people are employed by the local insurance industry and it has been estimated that about 10 per cent of the state's entire workforce is dependent on the insurance business.

Mr Leo Connors, who heads the corporate banking operations of the Connecticut Bank and Trust Company in the Hartford area, says that there are 25 major insurance companies in the local area and notes that insurance related activities account for some 40 per cent of his corporate banking business.

By contrast, he estimates that in Stamford insurance would count for 10 per cent of the corporate banking activity. Hartford has been ranked as the fourth biggest financial centre in the US, and the insurance industry is the reason, says Mr Connors.

The Insurance Association of Connecticut has calculated that 95 per cent of all insurance business comes from out of state and as the insurance industry is now the second largest private employer and continuing to grow, Connecticut is very dependent on maintaining its leadership position in the US insurance industry.

There are various studies as to why Hartford has come to occupy such a key role in the insurance business and as with

The insurance industry

BILL HALL

all good stories the facts have got a little lost in the translation. The official version of the insurance association of Connecticut is that marine insurance started it all. The industry grew up close to 200 years ago to provide financial protection for the ships and their cargoes which sailed around the world from their bases on the busy Connecticut river.

However, the Hartford-based Travellers Insurance Company disagrees. "The truth is that the first policy issued in Hartford covered a house," says the Travellers in its booklet, "Hartford, the Insurance Capital." According to the Travellers, the first insurance policy to be issued in Hartford was to a certain Mr William Imlay on February 8,

1794. For four pounds a year he bought 800 pounds worth of insurance coverage "his" against fire, and all dangers of fire.

Since then, the Hartford insurance industry has notched up several "firsts," ranging from the first automobile policy, to the first rain insurance policy and the first life insurance policy for space astronauts. Connecticut insurance companies have helped pioneer several advances in the industry such as reinsurance, crop insurance and group life insurance.

The big three local insurance companies, Aetna, The Travellers and Connecticut General (now part of Cigna) play a key role in the business affairs of the state and are an important source of capital with an estimated \$2.5bn invested in everything ranging from new offices to hospitals across the state.

One of the reasons that Hartford and Connecticut have been able to push ahead with new construction faster than some rival states is due to the financial muscle of the state's insurance companies.

With assets of over \$51bn, Aetna Life and Casualty is the largest stockholder-owned insurance company in America and the Travellers, with assets of \$36bn, is also one of the largest multi-line insurers in the US. Both groups' operations span the first and property and casualty insurance areas. Aetna, for example, employs close to

14,000 people in the Hartford area.

Connecticut General, which is big in life and health insurance, merged with the Philadelphia-based Ina Corporation, a big property and casualty insurer, in November 1981, forming Cigna Corporation. Today, it boasts \$39bn in assets and a workforce of close to 50,000 and, although the corporate headquarters has been moved to Philadelphia, Connecticut is still the home of the largest single segment of Cigna's workforce. In addition, Robert Kilpatrick, the former chief executive of Connecticut General, is chairman and chief executive of Cigna.

Famous names

While these three companies are the biggest local employers there are several other insurers which deserve special mention. The most obvious is the Hartford, which is located just a few miles away from the Aetna in Hartford, and is one of the most famous names in the industry and can trace its origins back to 1810 when the Hartford Fire Insurance Company was founded. Today, it is part of ITT Corporation.

General RE Corporation, headquartered in Stamford, Connecticut, specialises in reinsurance while CNA Financial Corporation, an insurance risk originally undertaken by another insurer. This provides extra capacity for the insurance markets and General RE has the largest reinsurance operation in the US and is generally regarded as one of the biggest and best-

managed reinsurers in the world. It managed to escape the heavy losses which some of its rivals suffered during the recent slump in the industry.

Connecticut is the home of several important mutually-owned insurance companies. When it was founded in 1846, the Connecticut Mutual Life Insurance Company was the first life insurance company to be formed in the state. Five years later, the Phoenix Mutual Life Insurance Company was formed.

"When people speak of us as 'the insurance capital of the world,' it does not mean that we write the most new business or have the most people in the industry," explains Mr Joseph Martin of the Insurance Association of Connecticut. "The state's reputation in the world insurance industry is based on the large amount of talent and the breadth of the services provided in the early days. Hartford insurance com-

panies built their reputation for reliability on the back of scores of anecdotal stories. The official booklet of the local Insurance Association tells how one insurance company president drove his sleigh all the way from Hartford to New York in the dead of winter to pay claims for the great New York fire. Another tale recalls how a Hartford insurance official stood in the smoking ashes of Chicago with a barrel as his desk, and literally paid on the barrel-head to those who had lost their properties.

Great pride

"It is still the pride of Connecticut insurance people that in the great San Francisco earthquake and fire they met every claim," says the Insurance Association of Connecticut.

Although the Hartford insurance companies have an illustrious history, this is not sufficient to explain their con-

tinued importance in the insurance world. There are no special tax breaks or local laws which have tied the insurance industry to Connecticut, and Hartford, in particular. Nevertheless, the insurance industry has always felt at home in the state.

Leo Connors of the Connecticut Bank and Trust Company cites several reasons why insurance companies continue to thrive in the Hartford area. "These range from a 'very supportive legislature' to a well-trained workforce with 'a good work ethic.'"

Mr Tom Collins, director of corporate communications at the Aetna, says that the reason Hartford has remained such a powerful force in the insurance business is because it has "a good economic environment." Aetna's confidence in the Hartford business community is very visible. Mr John Filer, the company's former chairman, plays an active role in the local

legal community. Aetna is a major investor in projects such as the Hartford Civic Centre and its interests even stretch to the sports arena where it has a majority interest in the Hartford Whalers ice hockey team.

Although Connecticut's insurance companies have suffered the same sorts of problems and financial strains as any companies operating in the property and casualty business, local insurance officials maintain that over the long-term it remains a growth industry for the state.

"There have been staff cut-backs due to attrition," says Mr Joseph Martin of the Insurance Association of Connecticut, but in recent years the insurance workforce has been growing by "between 500 and 1,500 people a year."

"The problems in the property and casualty insurance industry have not had an impact on our growth to any significant degree," adds Mr Martin.

Defence proves a strength

The Economy

CHRISTIAN TYLER

DESPITE RAPID industrial change, the lure of the sunbelt states of the US and intensifying foreign competition, Connecticut has contrived not only to stay rich, but to keep growing.

Its per capita income, at over \$16,000 in 1984, is estimated to be the second highest in the country, and a few years ago Connecticut boasted the highest output per head in the world.

Naturally, the wealth is not evenly spread. The eastern and northern parts of the state, if not poor, are less prosperous than the central valley of the Connecticut river and are much less prosperous than the "gold coast" that runs into neighbouring New York state.

Trading on its proximity to the great metropolises, to Boston and its relative nearness to Europe, the state has managed to diversify sufficiently in the last decade to survive the double shock of domestic recession and Asian competition.

It has had an injection of new wealth in the form of well-heeled executives working for the many corporate headquarters around Stamford and Greenwich. They have driven up the price of property in those areas to double the rates elsewhere in the state; but they have also fostered a local sub-economy of financial and other service companies.

The old industrial areas, assisted by government aid, have managed to spawn numerous small, technology-oriented enterprises. Traditional industries like textiles, chemicals, rubber, brass, small arms manufacture, and metal-bashing of all kinds have declined or disappeared. But the accumulated skills and traditions of factory working have not and they are seen by many employers as an important asset, even if others worry that the educational system is not producing the new skills that will be needed in future.

Connecticut's dependence on the defence industries, seen for many years as a weakness, has proved a strength since President Reagan took office. The Pentagon's spending in the state is far greater, in per capita terms, than in any other state. Even so, economic planners

— and businessmen, too — will continue to encourage diversification: defence contracts are too large and unpredictable an element in the regional economy.

The economic success story is mirrored by the unemployment figures. For the past five years unemployment has been consistently below the national average. Today it stands at around 5 per cent compared with a US average of over 7 per cent. There are, as everywhere, pockets of high unemployment. Connecticut has its share of inner city poverty among blacks and the newer immigrants.

According to state statistics non-farming employment grew to a record 1.57m last year, but the rate of job growth has begun to fall. The share of manufacturing employment in the economy is falling too, but is still around 27 per cent of non-agricultural employment, well above the US average of 19-20 per cent.

The state is better able than most to pay the costs of transition, having a budgetary surplus despite a rapid increase in state

spending in the past year. A big programme of road and bridge building, costing \$8bn-10bn over 10 years is under way.

Tax revenues last year led by sales and corporate tax (there is no state income tax) produced a surplus of \$270m and there was a further small surplus of \$45m, helped by better than expected sales of state lottery (Lotto) tickets. State taxes were cut by \$156m.

Price levels

Property values in the favoured eastern areas of the state have been "exploding," according to the Connecticut National Bank vice-president and economist, Mr Peter Kozel. "There are signs that the wealth of the 'gold coast' is spreading inland and westwards." But it has yet to reach the old cities of Bridgeport and New Haven (home of the University of Yale).

Industrial land in Fairfield County is fetching \$250,000 or more an acre, according to the latest figures, compared with \$50,000 an acre in the Hartford area. The average white-collar

family house costs \$118,000, which puts Connecticut fifth in the national league table. Housing prices are higher only in Hawaii, Alaska, Washington and California, according to the Connecticut Association of Realtors.

The real estate boom has its bad side. Last month businessmen in Hartford were warned that there is a serious over-supply of office space in the area which will take two years to correct even if new building projects are reined back.

Mr William Farley, president of a leading development company, said demand for new office space, especially from the insurance and other financial companies, would continue strong for a year or two, but supply was too high. There is 2m sq ft of office space vacant and 2.5m sq ft being built or planned at the prices asked. Mr Arthur Anderson, president of a housing management company, Imagineers, says current prices could be out of the reach of even well-paid workers.

Call for tax reforms

The business environment

CHRISTIAN TYLER

TEN YEARS ago, businessmen in Connecticut were running television commercials against the economy. A man was seen standing in a patch of rubble, saying how bad things were in the state. Last year the Connecticut Business and Industry Association (CBIA) was buying air-time to boast of the teamwork of business and politics.

Today, the locally-sponsored radio and television advertisements are more likely to be aimed at Washington to warn the Federal administration that American industry cannot stand up unaided to foreign competition.

The cost of doing business in Connecticut is still high, and although the Government is no longer seen as anti-business there is a legacy of statutory obligations, progressive and liberal for the most part, that

many employers would like to see wound up.

As the second richest state in the Union in per capita income terms, and with budget surpluses under its belt, Connecticut appears to be better placed than most to encourage industry even further.

The CBIA warned recently that without further tax relief for manufacturing, the state may lose its healthy financial position. State revenues depend greatly on direct business taxation.

The state could also lose sales tax receipts and revenues from a dividend, interest and capital gains tax, according to a recent paper drawn up for the State Capitol.

The state is unusual in having no tax on earned income, a blessing, perhaps, for the very highly paid executives in the western corner, but a benefit of doubtful value for the rest. The townships—still powerful administrative units like their pre-revolutionary forerunners—collect personal property tax on business machinery and equipment. It is the single most unpopular tax in the state. But it raises \$200m a year, and the CBIA admits that it would have to be phased out gradually.

In the meantime, the association is asking for a sales tax exemption on industrial repairs, replacement and component parts. It is also asking for the state depreciation schedules on plant and equipment to be brought fully into line with the rates allowed by the Federal Government. Both these reforms, it says, would stimulate modernisation and would create new jobs.

Taxes for the business sector are probably higher than in most of the US. Labour costs are also among the highest—not just hourly rates, but the fringe benefits.

Trade unions were strong in the 1960s and secured good benefits from union Democratic administrations. But the unions have lost much of their power, along with the relative decline of the old manufacturing base. One company vice-president said the cost of labour was on a par with Detroit; and there was similar resistance to automation and the scrapping of old demarcation lines.

Labour rates have been

increasing less quickly in the old industries however. The newer companies have had to pay more in order to attract the new skills that are in short supply in this old state. "The shortage is the symptom of what any people in public life—from the governor of the state down—believe is one of Connecticut's bigger long-term problems: the standard of education."

A debate about falling educational standards is conducted through slogans on city walls, as well as in reports by august committees.

Salaries

Industry is supporting a diverse lobby that wants higher salaries for teachers, with a statewide minimum. More controversially, it wants teachers' performance to be regularly assessed, and it wants to see people with a non-academic training but with specialist knowledge to be allowed into the profession. For example, people retiring early from business careers should be allowed into the system.

"Our schools need to place special emphasis on the maths, science, literacy and technology skills required to prepare Connecticut's students for the realities of the job market. By doing so, Connecticut will be able to strengthen its manufacturing base and remain competitive in the world market," says a CBIA paper on the subject.

Although employers say they often have to go outside the State to find the technically-trained people they need, it is not difficult to attract the right recruits. They say Connecticut is the kind of place young people leave because it offers few excitements. But they come back again to marry and bring up their children.

"You have anything you want within two or three hours of here," said Mr George Gantile, a senior vice-president of Gerber Scientific Instruments. "It's a nice place to raise a family—not so nice, maybe, for young people who like the bar

CONTINUED ON NEXT PAGE

A SMALL BUT INTERESTING PART OF SCOTLAND'S \$2.7 TRILLION MARKET.



As a vital part of both the UK and the EEC, Scotland's market for technology extends to France and thirteen other countries. Including Belgium, Italy, Holland, and West Germany.

For a total of \$2.7 trillion per year in tariff-free trade.

The fact is, Scotland is the best and most economical launchpad for this huge market. With the most efficient, sophisticated infrastructure and telecommunications systems, including international linkage by road, rail, air, and sea. A highly productive, committed workforce that scored overwhelming endorsements from U.S.-owned corporations in a recent independent Labor Survey. And a tradition of innovation that goes back to 1765, when James Watt perfected the steam engine.

No wonder so many U.S. manufacturing and service companies—and over 300 electronics companies including IBM, Digital, Hughes, and Motorola—have made Scotland their European base. Maybe you should, too.

The Scottish Development Agency can provide tailor-made development packages to meet your company's needs—incorporating expert analyses of your market sector, equity loans and nonrepayable grants, and a wide selection of prime sites including single user sites and science and technology parks.

We appreciate any assistance the friends of Scotland and Britain can give our development efforts in the United States. If you can help, please contact Donald Harrison, Director—North America at the Scottish Development Agency, Suite 810, One Landmark Square, Stamford, Connecticut 06901. Or call (203) 325-8525.

Scottish Development Agency

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systems and equipment for telecommunications, semiconductor production, industrial automation, energy management and transportation. Our products enable a wide range of industries to improve the productivity of their operations and the quality of their products and services.

In 1978 General Signal acquired Leeds & Northrup, where I was CEO, as part of its expansion into instrumentation and control systems for process industries and energy management. By then GSX had established technological and market leadership in control systems for water pollution, power conditioning and rail transportation; we were just then starting, incidentally, on the resignaling of nearly 500 miles of BritRail with our long-time partners at GEC.

Our most recent strategic development has been with instruments and equipment used in the manufacture of semiconductors and in the telecommunications industry.

VISITS PLANNED TO U.K. AND CONTINENT IN 1986

GSX has an excellent but relatively untold story, so we are looking forward to visiting with the European investment community in mid March. While several European institutions

have owned General Signal stock over the years, these holdings have been quite small, accounting for less than 2.5 per cent of all shares held by institutions. Our mission will be to raise your interest.

General Signal has a proud history. From our founding in 1962 through 1981 we recorded just one down year. Since then our sales and earnings have plateaued due to the '82/'83 capital goods recession and more recently, the difficult conditions in the semiconductor industry.

GSX could be of interest to you on a number of counts: our demonstrated ability to reach our strategic and performance goals; our unique position in productivity-improving capital equipment for a wide range of growth markets; our sound financial condition; and our appreciation potential as we resume our earnings climb to record levels and beyond.

I look forward to visiting with you soon.

D. C. Hall

For further information on General Signal, please write to N. J. Fernandez, Director of Communications, General Signal Corporation, P. O. Box 10010, Stamford, Connecticut 06904, USA.

LEADERSHIP IN INSTRUMENTATION & CONTROL TECHNOLOGY

General Signal welcomes the opportunity to be part of this special survey edition highlighting the state of Connecticut for the Financial Times readership.

General Signal (NYSE:GSX), headquartered in Stamford, Connecticut, numbers 23,000 employees in 98 U.S. and 39 foreign facilities. Last year we increased our ranking in the Fortune 500 survey of U.S. companies to 210. General Signal is a leading producer of instrumentation, controls, and related

David T. Kimball, Chairman

CONNECTICUT 4

PROFILE: BODINE CORPORATION

Profitable niche in the machine tool market

THERE IS still money to be made in machine tools, even in the US.

In the centre of Bridgeport, one of Connecticut's old industrial cities, Edward and Dick Bodine run the family business started by their father Alfred van Sant Bodine in 1933. They have made profits for the last 15 years.

Other machine tool companies have buckled under the strain of foreign competition, or have been bought up (and often wound up) by the big conglomerates.

In 1981, before the latest economic recession, there were \$3.5m-worth of machine tool deliveries in the US, of which 15 per cent were imports. In 1984, the value of deliveries had sunk to only \$2.3bn—and over 40 per cent of that was taken by imports.

But the Bodine Corporation has kept going, mainly by finding a niche in the market where there is little or no competition to worry about. It makes the machines that produce the plastic boxes for VHS videotapes. Among Bodine customers are clients such as Sony, 3M, Tandy, Bell and Howell.

Bodine machines already installed are capable of turning out nearly 400m videocassettes a year.

"Our business is in a narrow segment of the total machine tool market," says Dick Bodine with a mischievous smile. "We just concentrate on the mass-production industries with really high volumes."

Other Bodine machines make office staplers, or speedometer parts or valve-lifters or fuel injectors for the motor car companies. These machines cost around half a million dollars each.

They are produced in a surprisingly clean shop behind a small panelled office where the Bodine brothers have their desks. The company employs 175 people to produce around 35 machines a year, and using

banks of computer-controlled casting and milling equipment of the type that today is sold far more cheaply by the Japanese, the South Koreans, or the Taiwanese.

Labour is expensive, as it is everywhere in Connecticut. But the skills that Bodine requires are in good supply because of the state's long manufacturing history. The valley behind Bridgeport was once the brass capital of the US; and Bridgeport was once the headquarters of Remington, the world-famous arms and ammunition maker.

Many of the skilled men in the Bodine plant earn \$40,000 a year, and very few earn less than \$20,000, Dick Bodine said.

"We had the option 15 years ago of moving away when it was time to renege because he adds. "But there is a culture of mechanical skills and the kind of mental skills you don't get in the agricultural areas. Here we have the resources in terms of very high quality subcontractors, industrial suppliers, steel distributors, and good communications."

"It's very difficult to take a guy out of the corral and make a toolmaker out of him."

Petition

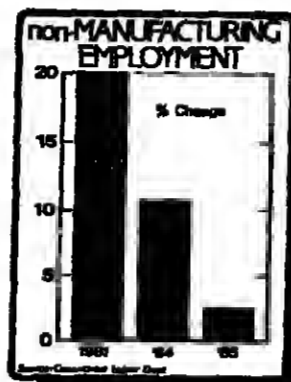
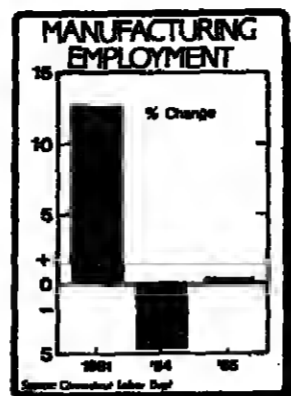
Bodine machines are made in Europe under licence, at the subsidiary (in Leicestershire, England) of Bridgeport Machines, Bodine's big neighbour. Bridgeport, which makes standard machine tools, was bought by the conglomerate Textron. Now Textron wants to sell it again, and there is talk of a management buy-out.

If the Bodine brothers have been lucky or farsighted—enough to survive, that does not mean they are content to see others perish. They support an industry-wide petition under Federal trade law asking for temporary countervailing duties, on grounds of national security.

The whole thing that makes manufacturing productive is machine tools. It's the industry



Mr. Richard Bodine, president, Bodine Corporation: many of the skilled men at his Bridgeport plant earn over \$40,000 a year



that won World War Two," says Dick Bodine.

The industry's petition, filed about a year ago, was accepted by the Pentagon and by the department of Commerce. Even so, says Mr Bodine, it was kept away from President Reagan by his former national security adviser, Robert McFarlane—but I think Reagan will reject anything that stands in the way of trade.

Mr Bodine is generally disappointed with the Republicans, at least in the state of Connecticut, for what he says is their failure to support the business—especially the smaller, risk-taking businessmen.

He is angry that more has not been done about the local property tax on capital equipment, which he calls "devastating" and "like taxing a man's tools."

He is annoyed that the Republicans, although enjoying a rare majority in the State legislature, failed to amend the state depreciation allowances to bring them into line with Federal rates. "I think we would have done better with a

Democrat majority," he says. Like many small businessmen, Mr Bodine feels the tax system is weighted against those like himself who are struggling to fight off cheap foreign competition.

"There was a time when Bodine Corporation paid more in tax than TWA, American Airlines and United Airlines together—because they didn't pay any. Corporations shouldn't pay tax. Let the shareholders pay tax on the profits. The way it is now, it's more profitable to buy an office building than a machine-tool business."

Yet the Bodine brothers have proved that an old business need not be a defunct business. The industrial map of Connecticut is certainly changing, but perhaps not as fast as economic logic would have one suppose.

Dick and Edward Bodine will be dining off oyster stew at the country club for a while yet.

Christian Tyler

A grassroots regrowth

The new businesses

CHRISTIAN TYLER

"AUTOMATE OR EMIGRATE" is a common injunction in the Connecticut business fraternity these days.

Since the mid-1970s, after a period when the state appeared to be losing its industrial lifeblood to cheaper and more exotic areas of the US, positive efforts have been made to diversify the economy. Business were attracted from abroad or from other parts of the US; multinationals were encouraged to put their world headquarters in the western corner of the state, just over the New York border.

Today, the emphasis has shifted: state incentives are designed less to woo companies away from other areas than to make sure that companies that grew up in the state will stay there.

About 80 per cent of the new investment in the state comes from firms expanding within its borders, according to Mr John Carson, Commissioner for Economic Development. Among those persuaded to stay in the state were Saab-Scania, the Swedish vehicle builder, which wanted to expand its bus operation.

The policy has been to go for the smaller overseas companies, rather than, for example, a Japanese motor car plant that would dwarf and disrupt the local economy.

As a proportion of all business manufacturing is still clearly on the decline. But there are still 420,000 people employed in manufacturing, compared with 390,000 ten years ago, and the numbers increased slightly last year after falling during the recession years that preceded it.

The new businesses are generally to be found hidden away behind the trees in what used to be America's working countryside. There is no Silicon Valley here, but a sprinkling of entrepreneurial outfits that find the climate—physical, as well as economic—

much more sensitive to the needs of business, while the sunbelt states have become less attractive—their costs have climbed along with their pollution levels.

The state is still courting the big corporations in the hope that they will achieve for the economy of old towns, such as Bridgeport and New Haven, what they have already done for Stamford and Greenwich and part of the hinterland of Fairfield County.

Corporate headquarters drive up the cost of land and housing—houses in the western corner of the state can cost twice as much as the average—but they also bring with them a host of service jobs for accountants, software specialists, security guards, gardeners, cleaners.

More important, however, than any official policy is the ability of companies themselves to adapt to the world competition that is forcing rapid change not just on the north-eastern seaboard of the US, but in every traditional manufacturing area of the West.

Innovation

The diversification appears to have been a success in Connecticut's case.

Formerly dominated by the metalworking industries, engineering, weaponry, aircraft and other defence industries, chemicals, rubber—and insurance—the state has branched out into consumer goods, pharmaceuticals, fibre optics, computer software, biotechnology and computerised manufacturing processes of various kinds.

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The new businesses are generally to be found hidden away behind the trees in what used to be America's working countryside. There is no Silicon Valley here, but a sprinkling of entrepreneurial outfits that find the climate—physical, as well as economic—

sufficiently bracing. One example is a company called Zygo, which has grown up on 70 secluded acres in the small town of Middlefield, off the Hartford-New Haven motorway. Zygo builds sophisticated measuring equipment, using lasers, optics and microprocessors. In its early days, the three founders had no product, "only a rough idea of what to make," according to Mr Paul Forman, president and one of the founders.

Zygo has benefited from the state's industrial revenue bond scheme, and Mr Forman says of the climate in general: "We have an awful lot of good things going for us."

But where the state does fall down, he believes, is in its lack of institutions to foster the high technology environment that Connecticut will need if it is to compete with the rest of the US and the outside world.

"I think we are sometimes as myopic as Britain itself," he adds.

"It's difficult for administrators to realise they are there to create the right climate for the people who create. Starting a company is such a fragile thing, anyway. And if the pond is polluted, the likelihood of the eggs growing is very small..."

Another modern company is the Gerber group which has reached an annual turnover of \$250m by applying new technology to old industrial activities.

Operating from another out-of-town and semi-rural site, in south Windsor, near Hartford, Gerber Scientific is selling 30 to 40 per cent of its production overseas. The company designs and manufactures machines for marking up and cutting out materials for the vehicle, aircraft and garment industries.

"We tend to look for labour-intensive processes that we can automate and where we can be the leading supplier," says Mr George Gentile, a senior vice president.

One example is the humble task of signwriting, which one of Gerber's subsidiaries has converted into a computer-controlled process. Gerber, too, has been helped by the state's tax-free bonds to raise money

for its expansion at rates as low as 5 per cent.

The company has just brought its Texas operation back to Connecticut to save money and to exercise greater control. Texas was the place to be some years ago. Now, says Mr Gentile, "it takes you two hours to drive 10 miles in Dallas."

Gerber finds technically-qualified people scarce in Connecticut, but they are scarce elsewhere, too. The basic school education is good, Mr Gentile adds, and many of the young people who leave for the bright lights will return to Connecticut to settle down and bring up their children.

Another local entrepreneur is Charles Kaman, who started his commercial life with an aircraft rotor blade.

Example

His company, the Kaman Corporation, has since become extraordinarily diverse: it makes entire helicopters, mainly for the US navy, but is also involved through the testing of nuclear warheads, and is bidding for some "Star Wars" work. It is also a distributor of musical instruments and of industrial components, and has been expanding for 17 consecutive years.

Kaman diversified out of defence work because the business was so vulnerable to the budgetary swings—as indeed was Connecticut as a whole. He went into the music business after inventing a roundbacked guitar—of which he is an avid player. Most of the instruments that Kaman sells today are imported from the Far East.

The move into industrial components happened in an equally roundabout way. Searching for a bearing that did not need lubricating (on a helicopter rotor, the oil is dragged centrifugally out and away from the bearings), Kaman found that the best way to make them was from distribution components, but not from making them. Today, the company is selling \$200m worth a year through 160 outlets.

AUTOMATION SPARKS UNREST

An industrial elite forced into retreat

A knot of policemen, dressed for a riot, has been posted at the main factory gate. It is a bleak and freezing December night in East Hartford, the wrong side of the tracks.

Across the road, three trailers burn outside the trade union hall and new television vans are arriving. The workers of Pratt and Whitney, the world-famous aircraft engine manufacturer, are voting whether to call the first all-out strike against the company, one of the state's biggest employers, in 25 years.

This dispute, the most serious in Connecticut for a long time, is not about wages. The workers—black and white, women and men—are probably the best paid industrial employees in the state. It is about the rate of change, automation and job security.

According to local leaders of the Machinists' Union, 5,500 jobs have gone in the last five years. Each assembly line the company builds replaces 86 men. It is the right of those made redundant to priority in retraining and transfer that the union says is being refused.

About a hundred men and women, most wearing thickly padded jackets, are milling about the entrance hall of Local 1746 the union branch covering the plant. They are drinking coffee, grumbling about the assembly hall tellers are counting the ballot slips that will decide whether East Hartford, biggest by a long way of the four Pratt and Whitney plants in the area, will join its three sister factories on strike.

Some 4,600 of the East Hartford plant's 7,700 hourly-paid employees are members of the Machinists Union and are entitled to vote. Five thousand of their colleagues

are already out, despite the proximity of Christmas.

East Hartford has already voted to reject the new wage and conditions contract offered by the company, but not by the two-thirds majority required by union rules for a strike. After a legal tussle, the union has been allowed to poll the East Hartford workers on a sheet-metal man," says a union steward at the back of the crash. "If they bring a new machine in, I want the opportunity to learn to work that machine."

"That's not asking for a job guarantee; just the guarantee of an opportunity to learn."

The machinists mounted a strike against the company in 1960 and, with less membership than today, were routed. "They are about profits before people," says a tall young black. "But they've realised by now that they have pushed us too far, man."

Contractors

Over the years Pratt and Whitney, now a subsidiary of the conglomerate United Technologies, has been subcontracting work outside the plant and outside the state, just as Boeing, the aircraft maker on the other side of the US has been subcontracting its work worldwide.

The men at Local 1746 say that another 1,500 jobs could be lost. Unemployment is not high in this area, but the Pratt and Whitney people suffer an unusual disadvantage, according to another militant. Because they are so well-paid (hourly rates are between \$18 and \$12) other employers are wary of hiring them on; they know that as soon as Pratt and Whitney starts hiring again, the new recruits will go straight back if they can.

Another man, small and well-dressed, joins the group. He is "a specialist," he says, earning \$40-50 a week more

than most of the would-be strikers. He has worked for Pratt and Whitney for 23 years and voted tonight for the first time in his career, for a strike.

Towards 11 o'clock, a general pushing and shoving starts at the back of the lobby, and word runs through the crowd that the votes have all been counted. As they press for in and around the men about "Strike! Strike! Strike!"

Others, nearer the front of the rack, are muttering: "It's not enough!"

By the time the crowd has funnelled through the doorway into the assembly room, the count has already been announced to the reporters clustered round the counting table under the stage. There are angry shouts from the leaders of the crowd, who have already sensed defeat.

Mr Rudy Buck, president of Local 1746, is up on the stage blankly announcing that once again East Hartford placed the core of Pratt and Whitney's business, has failed to vote for strike action. The company's wages proposals have been rejected by three-quarters of the membership, but only 55 per cent has said Yes to a strike.

Men from the other striking plants at North Haven, Southington and Middletown, are incensed. For a moment it looks as though a nasty scene will take place. Some are so angry that they seem bent on mobbing the main gate to prevent the midnight news programme.

But, in the event, they drift disconsolately away. Few can be bothered even to drop next door to the big drinking saloon where the events of the night are already appearing on a midnight television news programme.

The workers of East Hartford, the industrial elite of Connecticut, have just lost more yards of ground in a long retreat from the forces of industrial change.

Christian Tyler

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We know the people, the business climate, and the relocation sites. We know the key players in every industry in the state. Everything that a European company considering a move to Connecticut is likely to need.

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Connecticut National Bank is the principal subsidiary of Hartford National Corporation, the largest Connecticut-based bank holding company. We trace our roots back to 1792.

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For more information contact John G. Petrasch, Vice President-Europe, Connecticut National Bank, 777 Main Street, Hartford, Connecticut 06115, 203/728-2509, Telex 99339.

Know-How That Pays Off

Connecticut National Bank

More incentives for investment

CONTINUED FROM PREVIOUS PAGE

\$400m, saving 13,000 old jobs and creating 4,000 new ones in the 1985 tax year.

Industrial revenue bonds, a cheap form of development capital for smaller businesses, are important instruments. But they may be threatened by new federal tax reform bills now appearing in Washington.

A state-run product development corporation finances new ideas and ventures. There are special programmes for small manufacturers and for firms setting up in the old industrial area of the Naugatuck Valley. The state also tries to bring suppliers and customers to-

gether, runs a job protection scheme for companies in trouble and provides help with new technology.

Investment is also encouraged on 52 municipally owned industrial parks, where infrastructure is provided. So far, over 350 companies, employing nearly 27,000 people, have moved to these sites.

Investment in the urban areas, whether manufacturing or research, are eligible for tax advantages; urban enterprise zones are being created to try and stem the dereliction that affects even small-town Connecticut.

FT COMMERCIAL LAW REPORTS

Council not liable for builder's loss

INVESTORS IN INDUSTRY COMMERCIAL PROPERTIES LIMITED v DISTRICT COUNCIL OF SOUTH BEDFORDSHIRE AND OTHERS

Court of Appeal (Lord Justice Slade, Lord Justice Robert Goff and Sir John Megaw): December 20, 1985

THE DUTY of a local authority, when supervising building work, is not to protect a builder from economic loss but to ensure that there will be no danger to the health and safety of occupiers and the public, and, accordingly, an authority which passes inadequate foundations is not liable in damages to the builder, who having failed to comply with building regulations, has to demolish and rebuild the building.

The Court of Appeal so held when allowing an appeal by the District Council of South Bedfordshire from a decision by Judge Williams QC sitting as an official referee, that it was liable to property developer Investors in Industry Commercial Properties Ltd (formerly Anglia Commercial Properties Ltd) for loss arising out of inadequate foundations passed by the council.

Section 64(1) of the Public Health Act 1936 provides: "Where plans... are in accordance with building regulations, deposited with a local authority... if the plans are defective or show that the proposed work would contravene any of those regulations, they shall reject the plans."

Section 4(6) of the Public Health Act 1936: "If a person... fails to comply with... regulations, he shall be liable to a fine."

Regulation D3 of the Building Regulations 1972 (SI 1972 No. 317) provides: "(a) a building shall (i) safely sustain... the load in such a manner as not to cause any settlement or other movement."

LORD JUSTICE SLADE, giving the judgment of the court, said that in 1972 a site, which had formerly contained an exceptionally large pool, was acquired by a haulage contractor. He was granted planning permission to tip soil, hardcore and other material.

In August 1972 Anglia contracted to build the site. Anglia and its architects knew that leveling and refilling were going on. The council must also have known because it had given permission for tipping.

On November 15 1973 the council gave Anglia planning permission to build four warehouses on the site. On that date,

before any design certificate or full working drawings of foundations had been supplied, it gave Anglia's architect written notice in pursuance of section 64 of the Public Health Act 1936 that the submitted plans had been "passed."

Anglia employed main contractors, its structural engineers prepared a drawing showing foundation details. They sent a copy to the architects who said it appeared to be in order.

The design provided for foundations of a depth of six feet. When a proper soil investigation was subsequently carried out in June 1973, the depth of the fill was found to be some 30 to 40 feet, with a high ratio of sand to clay. Nevertheless, in December 1973, all interested parties appeared content.

The structural engineers certified that all structural work on the foundations would conform to the current editions of British Standard Code of Practice 3004. On a second party claim, the various trial pits, inspection, various trial pits, drawings and calculations and the design certificate were all raised, no objection to the proposed foundations.

On November 26 1974 the architect issued a certificate of practical completion. By December 4 ominous cracks had appeared in the external brickwork of two of the warehouses. By January 27 even the service road was showing signs of settlement. In June 1975 the occupier of one of the warehouses wrote to Anglia saying some collapse appeared imminent.

Eventually in March 1979 Anglia decided to demolish the warehouses and rebuild them on proper foundations. It issued a writ against the council, claiming damages for negligence or breach of statutory duty under the Public Health Acts 1936 and 1961, in connection with approval of the plans and the inspection.

The council joined the architects and the architects joined the council as third parties, claiming indemnity in the event of its being held liable. The proceedings against the structural engineers were discontinued before trial because they were uninsured.

Judge Williams QC concluded that the council owed a duty of care to Anglia, though Anglia was not the occupier of the buildings and had engaged independent contractors, architects and engineers. He said: "This was established in *Accrest*" [1983] 1 All ER 260.

He held that the council was in breach of its statutory duty and its duty of care. The council appealed.

The council was in breach of its obligation under section 64 of the Public Health Act on account of its passing the plans, its failure to object to the design details, and its approval of the foundations.

However, it was clear that Anglia itself was in breach of

the relevant building regulations. Regulation D3 specifies the requirements which the foundations of a building must satisfy. An owner who personally or by his agents exercises a building, was under a statutory duty to comply with them.

The all-important question was whether the council, in exercising its functions under the 1936 Act, owed a duty of care to Anglia as the building owner.

In *Dunford* [1972] 1 QB 373 it was held that a local authority, in exercising its statutory power to inspect foundations under the Public Health Act 1936, owed a duty to the plaintiff who had bought the house from the owner-builder and was occupying it when serious defects in its internal structure developed.

In *Amis* [1978] AC 728 the House of Lords held the council was liable to a plaintiff occupier to take reasonable care to see that bye-laws made pursuant to the 1936 Act were complied with.

In *Dennis* [1983] 1 QB 409 the plaintiff had commissioned a structural engineer, but no architect or structural engineer, to construct a house for his own occupation on a site which consisted partly of unfiled sandpit. They successfully sued the local authority for negligence in passing plans indicating inadequate foundations.

In *Accrest* [1983] QB 260, where the plaintiffs were complainants with a claim against a builder, but no architect or structural engineer, to construct a house for his own occupation, the House of Lords held that a local authority, in exercising its supervisory powers, would normally owe no duty to a person who was in breach of the building regulations, who had the benefit of advice from architects, engineers and contractors, and had relied on it.

Dennis was regarded as a decision on its own special facts. The legislature, in imposing on local authorities for the general protection of the public the relevant statutory obligations under section 64, could not have intended to protect a building developer such as Anglia against damage which he might suffer through his failure to comply with building regulations—or to entitle him to an indemnity from ratepayers against the consequences of such failure.

The council therefore, in considering whether to approve the plans, was not in breach of its inspection, owed no duty of care to Anglia. The appeal was allowed.

For the council, Piers Ashworth QC and Adrian Branner (Barlow Lyde and Gilbert). For the developer, Stanley Broad QC and Andrew Pugh (Brant and Hunt, Homfray).

Also appearing: Stephen Deach QC and Harry de Latorre (Hextall Erlinge and Company).

By Rachel Davies Barrister

was not to safeguard the developer or anyone else against economic loss.

(2) In view of that statutory purpose, on the basis of *Amis*, a local authority might owe a duty to a subsequent occupier to take reasonable care to ensure the building was erected in accordance with regulations so as not to cause danger to his health or personal safety.

(3) Where that duty of care had been broken and as a result the condition of the property gave rise to danger to health or safety, an occupier to whom the duty was owed might restore the property and recover his expenditure from the local authority.

Whether he had such a right must depend on the facts. However, a local authority would normally owe no duty to an owner-builder because it was normally incumbent on him to ensure that the building was erected in accordance with the relevant regulations. It could not have been Parliament's intention, save perhaps in exceptional circumstances, that a local authority could owe a duty to a person who was in breach of the building regulations.

(4) On the basis of *Peabody*, however, a local authority would normally owe no duty to an owner-builder because it was normally incumbent on him to ensure that the building was erected in accordance with the relevant regulations. It could not have been Parliament's intention, save perhaps in exceptional circumstances, that a local authority could owe a duty to a person who was in breach of the building regulations.

(5) A fortiori, a local authority, in exercising its supervisory powers, would normally owe no duty to a person who was in breach of the building regulations, who had the benefit of advice from architects, engineers and contractors, and had relied on it.

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FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as British Shipley & Co Ltd, British Overseas Fund Managers, and others, with columns for name, type, and other details.

The Princess Alice Hospice advertisement featuring an image of the hospice building and contact information.

F.T. CROSSWORD PUZZLE No. 5,922

Crossword puzzle grid with numbers indicating starting positions for clues.

- ACROSS
1 What is the matter, breaking down in the garden? (7-4)
7 Straw pile, work of one man? (3)
9 Doc, miner and nurseryman (5)
10 Youth who loved the pools? (8)
11 To even the score a tee-trial is ordered (9)
12 A show on the offside by England's opener is penetrating (5)
13 Dry-eyed firm (7)
14 Huntsman returning empty (4)
15 Cranmy is potassium-negative (4)
16 Bar limit in dance-centre (7)
17 Advantage of adjustable seats (5)
18 Latter-day Satanist (9)
19 Roughly sixteen at church? That is a poor living! (8)
20 Done badly by Cloba theatre? (5)
21 Brace and bit woodworkers use inside of Marx around this astrologer? (11)
22 DOWN
1 Rosia's punch-drunk? (5-3)
2 Penurious days for the duration (8)
3 Dyke-builder left refuse (5)
4 Vessel from which volunteers drank freely? (7)

APPOINTMENTS

Senior post at Burmah Oil

Mr Michael Jervis has been appointed chief executive of BURMAH'S lignified natural gas (LNG) transport business. He will take up his duties in London. He will follow Mr Dennis G. W. Allison in a planned succession which anticipates Mr Allison reaching Burmah's retirement age but also providing continuity with Burmah's LNG business, as senior vice president. Mr Jervis retired from Shell in June last year as vice president finance, Shell Sekiry KK, and deputy chief executive of the Shell companies in Japan.

The Trade and Industry Secretary has reappointed Sir Gordon Borrie to be director-general of Fair Trading for a further five years from June 14.

Mr Warren Felsen will be joining MACLAINE WATSON & CO, on February 1 as managing director with responsibility for trading. He was president of Metal Traders Inc, in New York.

Mr Dennis C. Longwell, senior vice president and general manager of The Chase Manhattan Bank in London has been appointed chairman of the AMERICAN BANKS ASSOCIATION IN LONDON.

Mr Robin Atkinson has been appointed divisional director, marketing operations, ESSO UK. He will be responsible for distribution terminals and truck operations in the UK and succeeds Mr David Leslie who has become commercial manager, supply, in Esso Europe Inc. Mr Atkinson was divisional director, industrial and wholesale, and will be succeeded in that post by Mr Rob Fisher, manager, industrial sales.

The appointment of Dr Brian Smith as chairman and chief executive of METAL BOX is confirmed. This follows the announcement last April that Dr Smith would be succeeding Mr Dennis Allison on his retirement on December 31 1985. Dr Smith, deputy chairman of Metal Box since last July, was previously a director of ICI.

Mr Peter E. Stephens company secretary of JOHN WADDINGTON has been appointed to the board. Mr Philip J. Brain has also been appointed to the board. He is in charge of plastic packaging and carton folding operations. The companies concerned are Plastons (John Waddington), Waddington Cartons and Comet Products Inc of Boston, US.

HENRY ANSBACHER & CO has appointed Harry Samuel as a managing director in charge of its banking department. He was co-financing adviser to the

World Bank in Washington and prior to that was chief executive of Iran Investment Overseas Bank in London.

CAMERON RICHARD AND SMITH INSURANCE SERVICES has appointed Mr J. F. Jackman as company secretary.

Mr Graham K. Aslet, deputy chief actuary, has been appointed assistant general manager and deputy actuary of FRIENDS PROVIDENT LIFE OFFICE.

Mr David J. Williams, formerly of Guinness Peat Properties, has been appointed director of SPUD U LIKE since January 1983 has become chairman. Mr Michael Porritt takes over as managing director of Health in appointed sales development director and Mr James Mallin, company operations director.

At DENIS M. CLAYTON (HOLDINGS) Mr Ross C. Howard and Mr Anthony A. Ables have joined the board. At Denis M. Clayton and Co-Lloyd's brokers Mr Denis Clayton is to step down as chairman and chief executive. Mr Ross C. Howard, North American division, and Mr Anthony A. Ables, management services division, who have themselves appointed the following directors: Mr Gordon G. Smith and Mr Derek E. Watson, London market division, Mr Peter J. Allen and Mr Clive S. Green, North American division, Mr Michael Bradley, Mr Jonathan R. Sanderson, Mr Peter Sanders have been appointed associate directors of Harlow Ueda Savage (Eurodollars).

Mr Colin Maloney has been appointed managing director of ROBERTSON FINANCIAL SERVICES, a new subsidiary established by Hyman Robertson and Co.

Mr Neil Anthony Watts has been appointed secretary of JOHN BROWN to succeed Mr James Rowe Smyth who has retired.

INSURANCE, OVERSEAS & MONEY FUNDS

Table listing various insurance and investment products, including Scottish Mutual Assurance Society and Sun Life of Canada, with columns for fund names and values.

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OFFSHORE AND OVERSEAS

Table listing offshore and overseas investment products, including Sun Life of Canada and Sun Life of New Zealand, with columns for fund names and values.

Money Market Trust Funds

Table listing money market trust funds, including Sun Life of Canada and Sun Life of New Zealand, with columns for fund names and values.

Money Market Bank Accounts

Table listing money market bank accounts, including Sun Life of Canada and Sun Life of New Zealand, with columns for fund names and values.

Options

Table listing options, including Sun Life of Canada and Sun Life of New Zealand, with columns for fund names and values.

3-month call rates

Table listing 3-month call rates, including Sun Life of Canada and Sun Life of New Zealand, with columns for fund names and values.

Notes

Notes section containing financial commentary and market analysis.

Options

Table listing options, including Sun Life of Canada and Sun Life of New Zealand, with columns for fund names and values.

3-month call rates

Table listing 3-month call rates, including Sun Life of Canada and Sun Life of New Zealand, with columns for fund names and values.

COMMODITIES AND AGRICULTURE

Jamaican bauxite output cut sharply

By Carole James in Kingston
JAMAICA'S BAUXITE output in 1985 fell to 6.14m tonnes, 30 per cent below 1984 output...

Bank sues Tin Council

BY STEFAN WAGSTYL

THE INTERNATIONAL Tin Council, which yesterday started its latest emergency session on the three-month-old tin crisis, is being sued by one of its creditors...

with half the votes on the ITC, indicated that they are willing to negotiate on the Newco plan...

UK farm incomes down 43%

BY ANDREW GOWERS

THE FULL extent of the damage wrought on UK farmers by last summer's poor weather was revealed yesterday...

ship spending on agriculture and assets remains solid for the majority of farm businesses...

WEEKLY METALS

All prices as supplied by Metal Bulletin.
ANTIMONY: European free market, 99.6 per cent, \$ per tonne, in warehouse, 2,730-2,780.

EEC cuts beef export prices

BY IVO DAWNAY IN BRUSSELS

THE FIRST in what is expected to be a flood of new measures to speed the disposal of EEC food surpluses was announced yesterday...

some irritation and concern from its competitors, not least Australia, Argentina and Canada.

LONDON MARKETS

OVERNIGHT strength in New York and news that the Bank of England regarded a further increase in base lending rates as inappropriate...

INDICES FINANCIAL TIMES

Table with columns for Jan 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 1985 and 1986. Includes sub-sections for REUTERS and DOW JONES.

MAIN PRICE CHANGES

Table listing price changes for various commodities like Aluminium, Copper, Lead, Tin, Zinc, Nickel, Silver, Gold, Platinum, Palladium, Rhodium, and others.

US MARKETS

Table showing US market prices for Precious Metals, Platinum, Silver, and Sugar. Includes columns for Close, High, Low, and Prev.

NEW YORK

Table showing New York market prices for Aluminium, Cocoa, Coffee, Cotton, and Soybeans.

CHICAGO

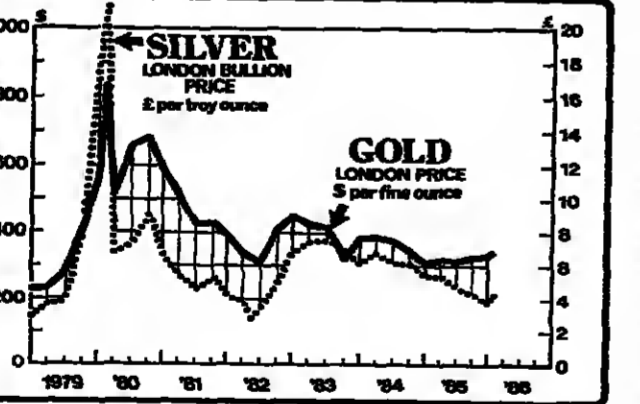
Table showing Chicago market prices for Live Cattle, Live Hogs, and Soybeans.

Silver goes down market

BY STEFAN WAGSTYL

THE DECLINE of silver prices over the last two years has called into question its status as a precious metal.

But the price rise drove silver consumers in photography, jewellery and other industries to cut silver consumption.



plies are still running ahead of consumption and an estimated rate of 70m ounces a year.

LEAD

Table showing lead prices with columns for Unofficial + or - of official, High/Low, and Cash/3 months.

NICKEL

Table showing nickel prices with columns for Unofficial + or - of official, High/Low, and Cash/3 months.

ZINC

Table showing zinc prices with columns for Unofficial + or - of official, High/Low, and Cash/3 months.

GOLD

Table showing gold prices with columns for Unofficial + or - of official, High/Low, and Cash/3 months.

SILVER

Table showing silver prices with columns for Unofficial + or - of official, High/Low, and Cash/3 months.

GRAINS

Table showing grain prices for Wheat, Corn, and Soybeans.

WHEAT

Table showing wheat prices with columns for Year-to-date + or - of previous year, and Cash/3 months.

SOYBEAN MEAL

Table showing soybean meal prices with columns for Year-to-date + or - of previous year, and Cash/3 months.

SOYBEAN OIL

Table showing soybean oil prices with columns for Year-to-date + or - of previous year, and Cash/3 months.

WHEAT

Table showing wheat prices with columns for Year-to-date + or - of previous year, and Cash/3 months.

POTATOES

Table showing potato prices with columns for Year-to-date + or - of previous year, and Cash/3 months.

OIL

Table showing oil prices with columns for Year-to-date + or - of previous year, and Cash/3 months.

SUGAR

Table showing sugar prices with columns for Year-to-date + or - of previous year, and Cash/3 months.

SOYBEAN MEAL

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SOYBEAN MEAL

Table showing soybean meal prices with columns for Year-to-date + or - of previous year, and Cash/3 months.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Pound retreats from early highs

Sterling fell back from early highs, reacting to a clear signal from the Bank of England that a further upward move in interest rates would be unwelcome.

£ IN NEW YORK

Table with columns for Date, Bid, Ask, and % Change. Shows sterling rates in New York for Jan 14 and 15.

DM 24510 against the D-mark but came back to finish at DM 24690 still up from DM 24585 on Monday.

D-MARK - Trading range against the dollar in 1985-86 is 24510 to 24375. Exchange rate index 1513 against 1241 six months ago.

FINANCIAL FUTURES Record trading

Trading touched record levels again on the London International Financial Futures Exchange yesterday, with three-month sterling deposit futures particularly active.

LONDON

Table of LONDON market data including 20-YEAR 12% NOTIONAL GILT, 10% NOTIONAL SHORT DILT, and THREE-MONTH STERLING.

US TREASURY BONDS

Table of US TREASURY BONDS and CHICAGO market data including U.S. TREASURY BONDS (CST) and US TREASURY BILLS.

POUND SPOT - FORWARD AGAINST POUND

Table showing POUND SPOT - FORWARD AGAINST POUND rates for Jan 14 and 15, including US, Canada, and other currencies.

DOLLAR SPOT - FORWARD AGAINST DOLLAR

Table showing DOLLAR SPOT - FORWARD AGAINST DOLLAR rates for Jan 14 and 15, including UK, Ireland, and other currencies.

CURRENCY MOVEMENTS

Table of CURRENCY MOVEMENTS showing % change for various currencies like Sterling, U.S. dollar, and others.

OTHER CURRENCIES

Table of OTHER CURRENCIES showing rates for Arg. peso, Aus. dollar, and other international currencies.

CURRENCY FUTURES

Table of CURRENCY FUTURES including PHILADELPHIA 90/92'S OPTIONS and LIVERPOOL 100/102'S OPTIONS.

STERLING INDEX

Table of STERLING INDEX showing values for Jan 14 and 15, with columns for Bid, Ask, and % Change.

EMS EUROPEAN CURRENCY UNIT RATES

Table of EMS EUROPEAN CURRENCY UNIT RATES showing exchange rates for various European currencies.

EXCHANGE CROSS RATES

Table of EXCHANGE CROSS RATES showing rates for various currencies like £, DM, and others.

EURO-CURRENCY INTEREST RATES

Table of EURO-CURRENCY INTEREST RATES showing rates for different maturities and currencies.

MONEY MARKETS

Interest rates were very volatile in nervous trading on the London money market yesterday, and in spite of moves by the Bank of England...

NEW YORK RATES

Table of NEW YORK RATES showing Prime rate, Broker loan rate, and Treasury bills.

LONDON MONEY RATES

Table of LONDON MONEY RATES showing overnight, 14 days, and 1 month rates.

FT LONDON INTERBANK FIXING

Table of FT LONDON INTERBANK FIXING showing rates for three months and six months U.S. dollars.

NOTICE OF PREPAYMENT

The Dai-ichi Kangyo Bank Limited (Incorporated with limited liability in Japan) US\$50,000,000.00

NOTICE OF PREPAYMENT

The Dai-ichi Kangyo Bank Limited (Incorporated with limited liability in Japan) US\$20,000,000.00

Province of Manitoba (CANADA)

U.S. \$125,000,000 8 1/2% Debentures due February 11, 1991 Series AV

Trade futures \$18 round-trip commission. LIND-WALDOCK. Name, Address, City, Country, Phone.

ROLFE & NOLAN. Are financial futures a headache? 194-200 Bichopsgate, London EC2M 4NR.

FOREXTREND. The currency forecasting aid designed by Forextrend, the currency manager, currency forecasters & currency options advisers.

CLASSIFIED ADVERTISEMENT RATES. From January 1, 1986. Commercial & Industrial Property, Residential Property, etc.

Province of Manitoba (CANADA) U.S. \$125,000,000 8 1/2% Debentures due February 11, 1991 Series AV. Wood Gundy Inc.

NOTICE OF PREPAYMENT The Dai-ichi Kangyo Bank Limited (Incorporated with limited liability in Japan) US\$50,000,000.00

NOTICE OF PREPAYMENT The Dai-ichi Kangyo Bank Limited (Incorporated with limited liability in Japan) US\$20,000,000.00

LONDON SHARE SERVICE

BRITISH FUNDS

Table of British Funds with columns for Name, Price, and Yield.

Table of Five to Fifteen Years funds.

Table of Over Fifteen Years funds.

Table of Index-Linked funds.

Table of Int. Bank and Overseas Govt. Sterling Issues.

Table of Corporate Loans.

Table of Common Wealth & Africa Loans.

Table of Foreign Bonds & Rails.

Table of American Stocks.

BUILDING, TIMBER, ROADS - Cont.

Table of Building, Timber, Roads stocks.

Table of Drapery & Stores stocks.

Table of Electrical stocks.

Table of Chemicals & Plastics stocks.

Table of Drapery and Stores stocks.

Table of Beers, Wines & Spirits stocks.

Table of Building, Timber, Roads stocks.

Table of Engineering stocks.

Table of Industrial stocks.

INDUSTRIALS - Continued

Table of Industrial stocks.

Table of Industrial stocks.

Table of Industrial stocks.

Table of Industrial stocks.

Table of Industrial stocks.

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Table of Industrial stocks.

Table of Industrial stocks.

Table of Industrial stocks.

INDUSTRIALS - Continued. Table listing various industrial stocks with columns for stock name, price, and other financial metrics.

LEISURE - Continued. Table listing leisure-related stocks such as hotels and resorts.

PROPERTY - Continued. Table listing real estate and property-related stocks.

INVESTMENT TRUSTS - Cont. Table listing various investment trusts and funds.

FINANCE, LAND - Cont. Table listing financial and land-related stocks.

MINES - Continued. Table listing mining stocks.

MOTORS, AIRCRAFT TRADES. Motors and Cycles section listing automotive stocks.

Commercial Vehicles section listing stocks for commercial transport.

SHIPPING section listing stocks for shipping and maritime companies.

OVERSEAS TRADERS section listing international trading companies.

PLANTATIONS section listing stocks for plantation and agricultural companies.

Central African section listing stocks from the Central African region.

INSURANCES section listing various insurance companies.

PROPERTY section listing real estate and property stocks.

TRUSTS, FINANCE, LAND section listing trusts and financial institutions.

FINANCE, LAND, etc section listing financial and land-related stocks.

MINES section listing mining stocks.

Regional and Irish Stocks section listing regional and Irish market stocks.

INSURANCES section listing various insurance companies.

PROPERTY section listing real estate and property stocks.

TRUSTS, FINANCE, LAND section listing trusts and financial institutions.

FINANCE, LAND, etc section listing financial and land-related stocks.

MINES section listing mining stocks.

Regional and Irish Stocks section listing regional and Irish market stocks.

NOTES section containing various market notes, forecasts, and company announcements.

LONDON STOCK EXCHANGE

MARKET REPORT

Account Dealing Dates
Option
*First Declara- Last Account
Dealings Date Dealings Day
Dec 22 Jan 9 Jan 10 Jan 20

New interest rate scare makes
for turbulent day in markets

Further heavy punishment
was inflicted on an interest rate
sensitive stock market yesterday
as commercial money market
rates continued to rise ahead.

FINANCIAL TIMES STOCK INDICES

Table with columns for Jan 14, Jan 13, Jan 10, Jan 8, Jan 7, and Year 860. Rows include Government Secs, Fixed Interest, Ordinary, Gold Mines, and various other indices.

HIGHS AND LOWS S.E. ACTIVITY

Table with columns for 1985/86, Since Completion, and S.E. ACTIVITY. Rows include Govt. Secs, Fixed Int., Ordinary, and Gold Mines.

Gussey "A" down to 740p
earlier, settled 8 cheaper at
750p. Dixons encountered small
selling in a narrow market ahead

Gar House ended similarly
cheaper m 312p. Elsewhere,
news of Milling's cash offer

Gar House ended similarly
cheaper m 312p. Elsewhere,
news of Milling's cash offer
worth 87p per share left Gosme

Gold up again
South African Golds extended
their recent good performance.

Gold up again
South African Golds extended
their recent good performance.
Share prices opened on a mixed

Among Motor Components,
Lexus fell 15 to 43p. Auto-
motive Products dipped to 112p

Reports of an institutional
visit to the company gave a fresh
boost to British Benzol which
gained 4 1/2 to 73 1/2.

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visit to the company gave a fresh
boost to British Benzol which
gained 4 1/2 to 73 1/2.

FT-ACTUARIES SHARE INDEX

These indices are the joint compilation of the Financial Times,
the Institute of Actuaries and the Faculty of Actuaries

Table with columns for EQUITY GROUPS & SUB-SECTIONS, Index No., Day's Change, etc. Rows include CAPITAL GROUPS, CONTRACTING, ELECTRICS, etc.

FIXED INTEREST

Table with columns for PRICES, Index No., Day's Change, etc. Rows include British Government, 5 years, 10 years, etc.

YESTERDAY'S ACTIVE STOCKS

Table with columns for Stock, Price, Change, etc. Rows include British Airways, British Telecom, etc.

MONDAY'S ACTIVE STOCKS

Table with columns for Stock, Price, Change, etc. Rows include British Airways, British Telecom, etc.

EUROPEAN OPTIONS EXCHANGE

Table with columns for Series, Vol., Last, etc. Rows include GOLD, SILVER, etc.

RECENT ISSUES

EQUITIES

Table with columns for Stock, Price, Change, etc. Rows include Abbott Mead Vickers, ABB, etc.

FIXED INTEREST STOCKS

Table with columns for Stock, Price, Change, etc. Rows include Allied Nat. Props., B&S, etc.

RIGHTS OFFERS

Table with columns for Stock, Price, Change, etc. Rows include British Telecom, etc.

TRADITIONAL OPTIONS

Table with columns for Stock, Price, Change, etc. Rows include British Telecom, etc.

NEW HIGHS AND LOWS FOR 1985/86

Table with columns for Stock, Price, Change, etc. Rows include British Telecom, etc.

RISES AND FALLS YESTERDAY

Table with columns for Stock, Price, Change, etc. Rows include British Telecom, etc.

LONDON TRADED OPTIONS

Table with columns for Option, Price, Change, etc. Rows include British Telecom, etc.

WORLD STOCK MARKETS

مركز الأخبار

Main table containing stock market data for various countries including Austria, Germany, Norway, Australia, Japan, Canada, Hong Kong, and South Africa. It lists stock prices, changes, and market indices.

OVER-THE-COUNTER section containing Nasdaq national market data, 2:30pm prices, and various market indices like NYSE, S&P 500, and regional indices.

Advertisement for 'Get your News early in Stuttgart' featuring the Financial Times newspaper. It includes contact information for subscriptions and delivery services.

Prices at 3pm, January 14

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Main table containing stock prices for various companies, organized in columns with headers for stock name, price, and change.

Continued on Page 37

NYSE COMPOSITE PRICES

Table of NYSE Composite Prices with columns for stock symbols, prices, and changes. Includes sub-sections like 'Continued from Page 36' and 'R R R'.

AMEX COMPOSITE PRICES

Prices at 3pm, January 14

Table of AMEX Composite Prices with columns for stock symbols, prices, and changes. Includes sub-sections like 'Continued from Page 36' and 'R R R'.

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Table of Over-the-Counter prices with columns for stock symbols, prices, and changes. Includes sub-sections like 'Continued from Page 36' and 'R R R'.

Hand Delivery Service advertisement for Belgium & Luxembourg, including contact information for Philippe de Norman.

FINANCIAL TIMES

WORLD STOCK MARKETS

WALL STREET

Uncertain response to data

THE FIRST of the week's batch of federal economic data found an uncertain response on Wall Street yesterday, writes Terry Byland in New York.

Despite news of a sizable gain in December's retail sales, bond prices moved higher while the stock market drifted lower.

The 1.9 per cent jump in retail sales was at the high end of market predictions and reinforced the signs of economic growth indicated by last week's employment data. But bonds took more notice of a dip in federal funds rate and of \$2.5bn customer repurchases by the Fed, which suggested that the Reserve Board remained accommodating.

The stock market responded favourably to the retail sales announcement, but early gains were not carried through. A significant increase in large share deals indicated some reshuffling of institutional portfolios.

At the close the Dow Jones industrial average was down 1.49 at 1,519.04.

Bank stocks improved as analysts scanned the sector results. First Chicago at 27 1/2 added 3/4 on the quarterly figures. Chase Manhattan gained \$1 to 57 1/4 and J.P. Morgan 3/4 to \$64.

Utility stocks, the market's barometer

on interest-rate prospects, edged forward. Public Service Electric & Gas at \$31 1/4 added 3/4.

The technology sector continued to give the market a firm lead on the back of NCR's results and of news from the semiconductor association that orders for microchips had increased last month. IBM, with figures due this week, edged up 3/4 to \$149 1/4, only 6 per cent of its peak despite last week's shake-out.

NCR jumped \$1 1/4 to \$41, Honeywell \$1 1/4 to \$74 and Digital Equipment \$2 to \$137 1/4. Among the personal computer makers, Apple added 3/4 to \$23 1/4 on results.

The flow of industrial-sector results moved on, with International Minerals and Chemical up 3/4 at \$35 despite lower profits. Airline stocks looked mixed as Eastern Air Lines held steady at \$5 after disclosing a loss for the fourth quarter of last year. American added 5/4 to \$40 1/4 and United 5/4 to \$48.

In the financial sector, Chubb bounded ahead \$2 1/4 to \$38 1/4 after two brokerage houses endorsed the group's reinsurance agreements with Sun Alliance and London Insurance of the UK, which significantly protects Chubb against further losses on medical malpractice insurance.

E. F. Hutton, the Wall Street firm troubled by illegal bank overdrafting problems, remained unchanged at \$35 1/4 after announcing a management restructuring.

Amex, the international metals company, eased 1/4 to \$14 1/4 after announcing a restructuring.

Stocks of the cereal and grain milling companies were firmer on the reduction in federal support prices to farmers,

which is expected to boost profitability at the grain plants. Most favoured was Archer Daniel Midland, one of the largest corn millers, which jumped \$1 1/4 to \$27 1/4 in heavy turnover. CFC International added \$1 1/4 to \$50 1/4.

Motor stocks turned a shade easier as the latest industry sales statistics began to appear. At \$69 1/4 General Motors shed 5/4, and Ford and Chrysler showed similar falls.

The most active stock on the NYSE, Also Moana Hawaii Properties, added \$ 1/4 to \$2, with a single block trade of 1.2m shares making its mark.

BAT Industries held unchanged at \$4 1/4 with the ADRs still trading briskly on the decision to sell off parts of the UK group's US retail interests. Also in the ADR trading area, Plessey gained 3/4 to \$24 1/4 as it explained its resistance to the takeover offer from GEC of the UK.

Despite Federal funds at 7 1/2 per cent, Treasury bills rates edged higher. Bond prices responded firmly to the Fed's market intervention, adding nearly 1/4 point before gains were trimmed on lack of retail support.

EUROPE

Upward trek resumed after pause

EUROPE looked set to resume its upward climb yesterday after Monday's pause for breath. Despite some early profit-taking after investors deemed it time to take gains while Wall Street was in a bullish mood, prices in most bourses rose in late trading.

Banks led the advance in Frankfurt after rumours that Allianz, the insurance group, was taking control of Bayerische Hypothek and Wechselbank.

The Commerzbank index hit a record 2,106.1, up \$2.2 from Monday and 7.3 higher than the previous high of 2,098.8 set on January 6.

Allianz added DM 53 to a record DM 2,600, and Bayerische Hypo topped the banking sector with a DM 42 increase to DM 85 1/2 despite a denial that such a takeover is under way.

Cars were again strong, with Daimler adding DM 20 to DM 1,385, VW rising DM 8 to DM 553.50, BMW DM 4 to DM 639 and Porsche a similar amount to DM 1,350.

Blue-chip electrical Siemens gained DM 14 to DM 764. The group plans to invest Pta 10bn (\$64.8m) in Spain over the next four years.

All West German bourses continued to operate for the normal number of hours yesterday, but Frankfurt bourse president Michael Hauck said bourses would probably continue to extend the two hours of official trading on an ad hoc basis.

Two large foreign buy orders injected enthusiasm into the bond market, and prices firmed. Longer-dated issues added between 10 and 15 basis points while shorts ended mostly unchanged.

The Bundesbank changed its tack and sold DM 53.8m worth of domestic paper after buying DM 15.3m on Monday.

Multinationals made a reasonable recovery in Amsterdam, aided by the last-minute overnight rally on Wall Street and a slightly softer dollar against the guilder.

Unilever picked up some of Monday's FI 8 loss to end FI 5.50 firmer at FI 395.50, down from its high for the day. Both Alza and Hoeghens were FI 2 ahead at FI 155.20 and FI 85 respectively. Banks also recovered some of the previous session's lost ground, and ABN closed up FI 5 at FI 389, NMB FI 4 at FI 241 and Amro FI 1 at FI 112.

Early profit-taking looked set to pare strong gains in Zurich, but a late buying spree kept prices up if not quite at their highs for the day.

The Swiss Bank industrial index gained 7.6 to 596.1, a new peak.

During trading, a brokers' committee announced some measures to shorten trading hours beginning today.

Banking and financial issues were in the limelight. UBS rose SFr 20 to SFr 520, Swiss Bank SFr 7 to SFr 3,800, Swiss Volksbank SFr 200 to SFr 3,800, Swiss Volksbank SFr 20 up at SFr 2,530, plus a one-for-10 rights issue of its registered shares.

Both Brussels and Paris fell victim to domestic worries, and prices ended mixed to lower in both bourses.

A dispute in the centre-right Government over new legislation to stimulate stock purchases left investors in Brussels hesitant and the market's direction uncertain.

The Belgian Stock Exchange index closed at 2,788.26, down 4.68, and turnover was light.

Banks and industrials were lower, however, with Générale de Banque shedding BFr 150 to BFr 4,550 and Hoboken off BFr 30 at BFr 5,780.

Profit-taking and a rise in the call money rate to 9 per cent left Paris slightly easier. Banks, stores, metals and engineering issues were all mostly lower at the end.

Bouygues dropped FFr 58 to FFr 981 on speculation that the European consortium, of which it is a member, is no longer a leading contender in the bid to build a fixed-link across the English Channel.

Milan rose for the second consecutive session, again pushing prices towards their highs.

Banks led a rally in Madrid while Stockholm closed sharply lower, reflecting concern over recent calls for an increase in equity taxation from unions and the ruling Social Democratic Party.

LONDON

More heavy punishment inflicted

FURTHER HEAVY punishment was inflicted on interest-rate-sensitive stock markets in London yesterday as commercial money-market rates continued to race ahead.

Prices fluctuated sharply, and the FT Ordinary index reflected the volatility by rebounding from a low of 1,089.5 to finish a net 14.5 lower at 1,094.3.

Amid turbulent opening dealings, government securities fell nearly 1 1/2 points on general despondency at the rise in three-month interbank money of 13 1/2 per cent. A measure of calm was restored when the Bank of England took the unusual step of signalling disapproval of a further increase in bank base lending rates. The ensuing rally was confined to the gilt market.

Longs regained a full point of losses, while shorts settled with falls ranging to 1/2 after a full-point decline. Index-linked issues were also firmer, finishing the session just 1/4 lower.

Among active blue chips, BAT Industries was one of the few to finish strong, with a 5p gain to 32 1/2 on its intention to dispose of part of its US retail interests.

Chief price changes: Page 35; Details, Page 34; Share information service, Pages 32-33

CANADA

TRANSPORT issues set the pace in the attempt to buy Toronto higher.

Canadian Pacific traded C\$ 1/4 up to C\$17 1/4 while Laidlaw Class B moved C\$ 1/4 higher to C\$14. Other actives included Bell Canada, which firmed C\$ 1/4 to C\$39, and Maclean Hunter Class A, C\$ 1/4 higher at C\$14.

Bank of Nova Scotia was actively traded C\$ 1/4 lower to C\$12 1/4 after the prime lending-rate rises of the previous day. Other banks were mixed.

Metal and mineral issues consolidated gains achieved on Monday, with Alcan C\$ 1/4 firmer at C\$42 1/4.

Montreal managed to extend some of the isolated gains of Monday.

SOUTH AFRICA

RELATIVELY light profit-taking developed among Johannesburg gold shares, but a recovery in the bullion price allowed a slight rebound from the day's low.

Val Reefs closed R4 down at R217 after R215, while President Steyn shed R3 to R58.50. Other miners were mixed, with Impela Platinum 50 cents down at R27 and leading diamond producer De Beers 20 cents higher at R16.90.

AUSTRALIA

WORSE-THAN-EXPECTED balance-of-payments figures for December took the lustre off Sydney gold stocks and led the All Ordinaries index 2.2 down to 1,048.9. The All Industrials index, however, extended the gains of the previous session with a 0.1 rise to a record 1,546.9.

A late rally among industrial issues helped to prop up market sentiment against the worst ravages of the profit-takers. BHP was actively traded but finished 2 cents lower at A\$8.94. CSR was steady at A\$3.70 and Bell Resources slipped 6 cents to A\$5.80.

MDM Holdings moved against the weaker trend in the mining sector with its 2-cent rise to A\$2.95. CRA weakened 12 cents to A\$5.82.

Among tumbling gold stocks, Central Norseman shed 30 cents to A\$7.20 and GMR 30 cents to A\$9.00.

TEL continued to feature with a 46-cent gain to A\$7.44 while related company Brerley Investments dipped 10 cents to A\$5.34.

Leading banks were mixed, with Westpac picking up 1 cent to A\$4.59, ANZ steady at A\$4.69 and National Australia 5 cents down at A\$4.70.

HONG KONG

CONCERN over the financial health of some small banking institutions unsettled Hong Kong and turned the Hang Seng index 17.38 lower to 1,782.23.

Strong selling of Union Bank of Hong Kong, the only publicly listed bank in the colony that is not backed or controlled by a major international bank, triggered a broad retreat.

Union Bank lost 80 cents to HK\$2.20 while Bank of East Asia shed 30 cents in sympathy to HK\$25.30. Hang Seng was 25 cents cheaper at HK\$48 and Hongkong Bank 5 cents at HK\$7.95.

Local profit-taking developed among property and utility stocks. Cheung Kong slipped 20 cents to HK\$21.10 as Hongkong Land weakened 5 cents to HK\$6.65. China Light & Power led utilities lower with its 20-cent setback at HK\$16 while Hongkong Telephone was 10 cents off at HK\$10.80.

SINGAPORE

THE WAITING GAME continued in a slightly weaker Singapore that trimmed 2.32 off the Straits Times industrial index to 634.00.

Investors are holding fire until government intentions over rumoured corporate tax cuts and a reduction in compulsory contributions to the Central Provident Fund become clear.

Singapore Land led the active list with a proportionally high turnover of 1m shares from the total volume of 7.8m but retreated 2 cents to S\$2. Singapore Airlines, also active, shed 2 cents to S\$4.92.

Singapore Press slipped 10 cents to S\$5.80 in modest trading, and Genting eased 4 cents to S\$4.50. Cold Storage edged 5 cents lower to S\$2.58.

TOKYO

Pre-holiday distraction saps energy

THE PRE-HOLIDAY mood took hold in Tokyo yesterday with most investors on the sidelines and share prices finishing lower for the fourth consecutive session, writes Shigeo Nishiwaki of Jiji Press.

In lacklustre trading, Sumitomo Metal Mining continued to attract buying interest while securities houses' dealer sections and speculators hunted some supermarket chains such as Daiel and Nichil, and auto parts. The Tokyo market will be closed today for a public holiday.

The Nikkei average shed 48.42 points from the previous day to 12,928.60. Trading remained slow at 228m shares, compared with Monday's 190m. Falls outpaced rises by 423 to 377, with 146 issues unchanged.

The session had a steady start, with small-lot buying centring on electricals following the first rise in four trading days in New York. Later, however, the market lost steam as many investors backed off.

The lack of pace reflected the withdrawal from the stock market of institutional investors, who have seen the ratio of their transactions to total trading volume expand to around 50 per cent.

Wall Street's overnight rally did not buoy investor enthusiasm because of uncertainties over US interest rate trends. Nippon Mining topped the active list with 7.85m shares traded, rising Y15 to Y403.

Sumitomo Metal Mining was in the spotlight and became the second busiest issue with 7.58m shares changing hands. The issue gained Y20 at one stage but came under profit-taking pressure later to close at Y2,000, unchanged from the preceding day.

Sumitomo attracted buying interest on the strength of its development of the Hishikari gold mine in Kagoshima prefecture, southern Japan, and rising gold prices.

Blue chips were bought in small lots, supported by Wall Street's overnight advance. Hitachi, the fourth most active stock with 3.45m shares, added an early Y8 but closed Y3 lower at Y732. NEC and Matsushita Electric Industrial gained Y10 each to Y1,250 and Y1,240, respectively. Anritsu Electric leaped Y100 to Y2,210 and TDK Y50 to Y4,100.

Bond prices turned firmer, supported by speculative buying by some major brokerage houses. The yield on the 0.2 per cent government bond, maturing in July 1995, declined to 5.790 per cent from Monday's 5.855 per cent.

KEY MARKET MONITORS			
STOCK MARKET INDICES			
NEW YORK	Jan 14	Previous	Year ago
DJ Industrials	1,514.11*	1,520.53	1,234.54
DJ Transport	592.07	592.31	588.02
DJ Utilities	172.39*	172.34	148.34
S&P Composite	208.20*	206.72	170.51
LONDON			
FT Ord	1,094.3	1,108.8	951.8
FT-SE 100	1,370.1	1,384.6	1,220.5
FT-A All-share	664.42	672.02	584.77
FT-A 500	727.53	736.23	652.79
FT Gold mines	306.8	300.2	460.1
FT-A Long gilt	10.77	10.69	10.72
TOKYO			
Nikkei	12,928.60	12,977.02	11,823.00
Tokyo SE	1,027.90	1,029.20	930.38
AUSTRALIA			
All Ord.	1,048.9	1,051.1	734.2
Metals & Mins.	528.4	532.9	409.9
AUSTRIA			
Credit Aktien	125.74	125.3	58.73
BELGIUM			
Belgian SE	2,788.26	2,772.94	2,157.20
CANADA			
Toronto			
Metals & Mins	2,149.80*	2,130.22	1,864.7
Composites	2,617.70*	2,809.87	2,388.0
Montreal			
Portfolio	137.69*	137.50	119.64
DENMARK			
SE	n/a	216.85	199.44
FRANCE			
CAC Gen	270.2	273.6	189.7
Ind. Tendancy	103.1	103.4	103.7
WEST GERMANY			
FAZ Aktien	707.20	688.59	388.43
Commerzbank	2,106.1	2,063.9	1,130.6
HONG KONG			
Hang Seng	1,782.23	1,789.61	1,358.08
ITALY			
Banca Comm.	n/a	465.41	247.44
NETHERLANDS			
ANP-CBS Gen	258.1	258.2	187.9
ANP-CBS Ind	245.8	246.9	151.2
NORWAY			
Oslø SE	401.97	400.32	311.84
SINGAPORE			
Straits Times	634.00	636.32	774.54
SOUTH AFRICA			
JSE Golds	-	1,204.3	1,010.6
JSE Industrials	-	1,105.6	908.3
SPAIN			
Madrid SE	108.55	106.98	107.67
SWEDEN			
J & P	1,819.21	1,880.37	1,493.51
SWITZERLAND			
Swiss Bank Ind	596.1	588.5	401.7
WORLD	Jan 13	Prev	Year ago
Capital Int'l	252.7	253.3	188.5
COMMODITIES			
(London)	Jan 14	Prev	
Silver (spot fixing)	418.00p	422.65p	
Copper (cash)	£1,003.50	£988.50	
Coffee (Jan)	£2,550.00	£2,580.00	
Oil (spot Arabian Light)	\$27.05	\$27.25	
GOLD (per ounce)			
London	Jan 14	Prev	
Zurich	\$340.25	\$341.00	
Pans (fixing)	\$341.50	\$338.60	
Luxembourg	\$341.64	\$341.93	
New York (Feb)	\$338.55	\$340.55	
	\$341.00	\$341.50	

BANCA COMMERCIALE ITALIANA

Joint-Stock Company with Head Office in Milan - Capital Lire 420,000,000,000 Fully paid - Legal reserve Lire 104,000,000,000 - Bank of National Interest - Registered at the Milan Registry - Reg. no. 2774 - Tax code no. 01252270157

Increase of Capital

from Lire 420,000,000,000 to Lire 630,000,000,000

Pursuant to a Resolution of the Extraordinary General Meeting of Shareholders held in Milan on the 30th September 1985, duly approved and registered as prescribed by law, the increase of the authorised and paid up capital of the Bank from Lire 420 billion to Lire 630 billion will take place with the effect from 17th January 1986 by the issue of 42,000,000 new shares having a nominal value of Lire 5,000 each, which will rank for dividend from 1st January 1986, to be offered to Shareholders on the basis of one new share for every two shares of Lire 5,000 each already held, upon payment, at the time of subscription, of Lire 10,000 per new share, that is at a premium of Lire 5,000 each.

Shareholders intending to exercise their right to acquire shares should make their applications to any branch of Banca Commerciale Italiana or to any of the authorised agents indicated below in the period from 17th January 1986 to 17th February 1986 enclosing with the application coupon no. 22 - which will evidence their right to purchase - detached from the certificate(s) in respect of shares currently held and paying the sum of Lire 10,000 for each new share subscribed.

Shareholders resident abroad should exercise their right, within the above-mentioned period, exclusively at the Head Office in Milan of Banca Commerciale Italiana.

Shareholders who have not applied for shares by the 17th February 1986 will forfeit any right thereto. Rights of acquisition not exercised by the 17th February 1986 will be offered on the Milan Stock Exchange, in five consecutive sessions, in the month of March, in accordance with Section 2441 Italian Civil Code.

Authorised Agents:
Banca Commerciale Italiana - Credito Italiano - Banco di Roma - Banco di Santo Spirito - Banca Nazionale del Lavoro - Banco di Sicilia - Istituto Bancario San Paolo di Torino - Monte dei Paschi di Siena - Banco di Sardegna - Banco di Napoli - Monte Titoli.

for The Board of Directors
The Chairman